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INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

HEARINGS

BEFORE A

SPECIAL COMMITTEE INVESTIGATING THE NATIONAL DEFENSE PROGRAM

UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

FIRST AND SECOND SESSIONS

PURSUANT TO

S. Res. 6

(78th Congress)

(Extending S. Res. 71—77th Congress)

A RESOLUTION AUTHORIZING AND DIRECTING
AN INVESTIGATION OF THE NATIONAL
DEFENSE PROGRAM

PART 21

RAYON VERSUS COTTON CORD FOR TIRES

MANPOWER

RECONVERSION PROGRAM

ARMY HOTEL ACQUISITION PROGRAM

SEPTEMBER 22, OCTOBER 28, NOVEMBER 19, 24
DECEMBER 3 1943; AND JANUARY 5, 7, 10, 1944

Printed for the use of the Special Committee Investigating
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PROGRAM

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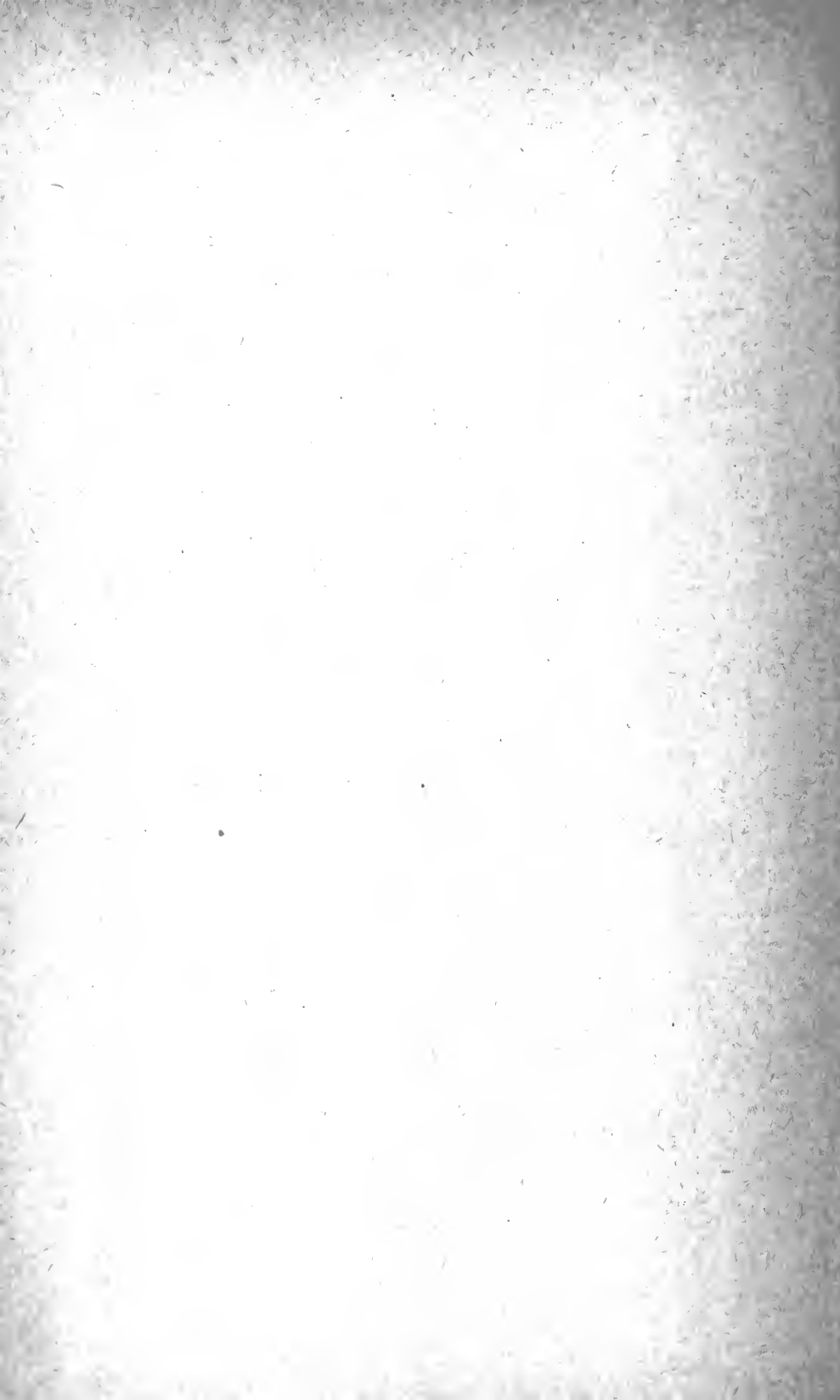
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INVESTIGATION OF NATIONAL DEFENSE PROGRAM

WEDNESDAY, SEPTEMBER 22, 1943

UNITED STATES SENATE,
SPECIAL COMMITTEE INVESTIGATING
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:40 a. m., pursuant to the call of the chairman, in room 317, Senate Office Building, Washington, D. C., Senator Harry S. Truman, presiding.

Present: Senators Harry S. Truman (chairman), Tom Connally, Homer Ferguson.

Present also: Senators John H. Bankhead, Alabama; Burnet R. Maybank, South Carolina; E. H. Moore, Oklahoma; Tom Stewart, Tennessee; Hugh Fulton, Chief Counsel to the committee; and Rudolph Halley, assistant counsel.

The CHAIRMAN. The committee will come to order.

Mr. Whitney, will you please take the witness stand? You and Mr. Jacobson, I believe, are the ones we want to hear from this morning.

TESTIMONY OF H. LeROY WHITNEY, TECHNICAL CONSULTANT TO THE CHAIRMAN OF THE WAR PRODUCTION BOARD, AND JAMES A. JACOBSON, SPECIAL ASSISTANT TO THE CHAIRMAN OF THE WAR PRODUCTION BOARD

TIRE CORD PRODUCTION PROGRAM

The CHAIRMAN. Mr. Whitney, you had a statement you wanted to make to this committee on certain tests which were requested by the committee for cord for tires, I believe.

Mr. WHITNEY. Yes, Mr. Senator; but I think it would be better if Mr. Jacobson, who worked out the requirements end, gave his data to you first. I think it will make the picture as to what we have to accomplish a little clearer. I would like to have Mr. Jacobson do that.

The CHAIRMAN. Very well; Mr. Jacobson, proceed.

Mr. JACOBSON. I would like just to go back a moment to the inception of our assignment on this high tenacity rayon cord and the entire tire-cord problem. About August 15 Mr. Nelson called Mr. Whitney and me into his office and asked us if we would undertake a full and complete check of the whole tire-cord program, particularly the rayon and cotton cord aspect of it, and report promptly to him. His purpose in doing that was to carry out the instructions or

the suggestions your committee had given, and to report fully to you people after we had completed what we hoped would be a thorough investigation of this.

Our check started on about August 15, and by September 13 we had completed our preliminary report to him. I believe he has furnished your committee with a copy of that report,¹ and in doing so, he has sent a letter which I would like to read into the record, if I may.

The CHAIRMAN. Proceed.

Mr. JACOBSON. It is dated September 16 and addressed, "My dear Senator Truman":

In July your committee published a report on the comparative merits of rayon and cotton tire cord. In conformity with the suggestions made in that report and in later conversations between the committee and members of my staff, I assigned Mr. H. LeRoy Whitney, my technical consultant, and Mr. James A. Jacobson, my Special Assistant on Industrial Analysis, to make a thorough study and appraisal of the whole question and to present their findings and conclusions to me at the earliest practicable moment for subsequent submission to you. I particularly emphasized to them my conviction that your committee was just as interested as the War Production Board in obtaining a complete, impartial, and wholly up-to-date report on all phases of this question, irrespective of whether it justified a use of rayon or cotton greater or lesser than presently contemplated.

Messrs. Whitney and Jacobson have spared no effort to this end. They have gathered together not merely evidence already available in existing reports and studies, but also such other factual material as they could develop through further independent research and compilations of laboratory and field test data.

The new material has had a significant bearing on their conclusions.

And I believe you will see that the new material is quite different from some of the material that existed some time ago.

The report prepared by Messrs. Whitney and Jacobson is attached hereto. It has my approval. It will I hope, provide the members of your committee with the full factual information which they have been seeking on this difficult technical supply problem.

On the basis of the findings of Messrs. Whitney and Jacobson, I believe that one broad conclusion is inescapable, namely, that our problem from now on is not one of deciding whether to use rayon or cotton, but rather being able to provide a sufficient quantity of both rayon and cotton.

We must have sufficient rayon for aircraft tires and fuel cells, for combat tires for Army vehicles, and for heavy-duty tires for the military and intercity truck and bus fleets. We must have sufficient cotton for the tires on the jeeps and other military equipment, for farm trucks and tractors, and for many other highly essential purposes, as well as for the millions of passenger cars and small trucks that enables us to attain our war production goals.

Our 1944 rubber program threatens to be seriously retarded by inadequate supplies of both kinds of fiber, and I believe that only by the most vigorous efforts will we be able to supply the enormous quantities necessary for the successful prosecution of the war. We in the War Production Board are doing all we can to aid this important part of our war effort, and I know we can, as always, count upon both labor and management to do their full part. They realize, as do we, that our military programs and essential civilian activities require tremendous numbers of tires, and that this means vast quantities of tire cord. With all of us striving hard for more tire cord production, both cotton and rayon, we will solve this problem, as we have many others that have arisen since this war started.

(The letter referred to was marked "Exhibit No. 904" and is included in the appendix on p. 8899.)

Mr. HALLEY. Mr. Jacobson, it is noted that the report itself is labeled "secret."

Mr. JACOBSON. Yes, it is.

¹ See Exhibit No. 906, appendix, pp. 8900-8937.

Mr. HALLEY. Would you state whether that is because the contents of the report are facts of such a nature that they must be kept a secret?

Mr. JACOBSON. There are facts in there of a highly secret nature relating to the military programs, that cannot be made public.

Mr. HALLEY. And for that reason, it is requested that the report be kept secret?

Mr. JACOBSON. It is.

I would like to outline briefly the problem that we have seen in this tire-cord program. Earlier this year, about April, the Rubber Director drew up a program which envisaged the production of about 52,000,000 tires in 1944. That program included some 14,600,000 tires to be made of rayon cord and over 37,000,000 tires to be made of cotton cord. The requirements for that entire program envisaged the use of about 206,000,000 pounds of rayon cord in 1944 and over 210,000,000 pounds of cotton cord in that year.

These requirements aggregated some 417,000,000 pounds and they were a great deal larger than any requirements that we had been called upon to fill in any pre-war period. In 1941, for instance, which was a peak year in tire output, certainly in recent history, we produced around 61,000,000 tires. We used up somewhere in the neighborhood of 335,000,000 pounds of both types of cord in that year. When Mr. Whitney and I saw the new requirements, our first reaction was that they were certainly substantial requests. That in itself, the mere figure itself, caused us to make as complete and thorough an investigation of that as possible.

Then the second thing was the question of whether we should use rayon or cotton. Mr. Whitney has undertaken to go particularly into that aspect of this problem. I have concentrated more on finding out what our production would be in 1944, and what the requirements actually would be on a rock-bottom basis.

I would like just to comment briefly on the part of this work that I have been most closely connected with. On production, we found that the facilities that had been approved by the date on which we got into this investigation, namely, August 15, would have a capacity—this is rayon cord—at the end of 1944 of approximately 162,000,000 pounds. That is an annual capacity, and it is quite easy to confuse annual capacity with actual production in a year. We therefore went back and asked each one of these companies, and we asked our Textile Division to check it most closely, to find out how much rayon tire cord they could actually produce in 1944 out of those existing and approved facilities. They came back with the answer that it would be about 112,000,000 pounds; not the 162,000,000 capacity but about 112,000,000 pounds.

The reason for that drop or the discrepancy or the difference there arises out of this simple fact which we at first sort of overlooked, namely, that you can't convert a plant, or you can't build a new plant overnight. These, like the 100-octane plants, take a considerable number of months to build. Eight months is the earliest that you can bring a conversion in. Nine to twelve months is about the period involved in bringing in a major expansion.

We had, therefore, to summarize briefly, about 112,000,000 pounds of rayon cord in sight for next year against the Rubber Director's re-

quirement of 206,000,000 pounds—in other words, a very substantial deficit. We then attempted to make a check of these requirements to find out how sound they actually were. In order to do so, we first contacted the Rubber Director's office and obtained from him his schedule as to the types of tires and the number of tires that he expected would be produced in 1944. We went into that. We took that schedule and went to each of the claimant agencies and attempted to have them, or we asked them to substantiate, if they could, their requirements that the Rubber Director had presented. I won't bother you with the details, but we have checked even down to the last detail that we could on that, and we believe that the Rubber Director's requirement was fully substantiated, both in terms of the total quantity of tire cord and in terms of the amount of rayon.

Mr. HALLEY. Mr. Jacobson, would you state the particular types of tires which the Rubber Director intended should have rayon cord when he submitted his requirement figure of 206,000,000 pounds?

Mr. JACOBSON. I will be glad to. It included, first, airplane tires; second, combat tires; third, it included military and civilian truck and bus tires of sizes 7.00–20 10-ply and above. Included in that 206,000,000-pound figure were approximately 42,000,000 pounds of rayon tire cord for tires which the military had said would be adequate if produced of cotton cord construction. We therefore deducted that from the 206,000,000. That left us a net figure of about 164,000,000.

Mr. HALLEY. To what type of tire do you refer?

Mr. JACOBSON. I refer to the 7.50–20 8-ply if in rayon and the 9.00–16 8-ply if in rayon. If it were to be of cotton construction, it would be either 8-ply plus 2 cap plies, or 10-ply cotton, depending upon the amount of GRS or synthetic rubber that would go into the tire.

Mr. HALLEY. And in computing your requirement, you assume that that type of tire would be made with cotton cord?

Mr. JACOBSON. We have had to assume that, because we have 112,000,000 pounds out of those existing facilities. We had 112,000,000 pounds out of those existing facilities at that time and we had a total requirement of 164,000,000 net after deducting the 42,000,000 pounds.

Mr. HALLEY. And you were advised that such tires could be made adequately with cotton cord; is that correct?

Mr. JACOBSON. That is right; yes, sir.

We have tried to go back beyond just the mere pounds of tire cord involved in this thing. We tried to go back to the basic military and civilian programs that are here involved. I don't believe you are interested in the details of this, but the broad concept and the broad principles involved may be of some interest. We have under way, and we have had under way for some time, a tremendous military truck program. We have not had under way any important civilian truck program, but the 5,000,000 trucks that there are in this country have been doing without an appreciable number of new tires for some time. We can expect the load that our domestic transportation systems will have to carry to be substantially increased as this war goes along. The trend in the figures is really startling. The military, of course, is faced with the problem of not only taking care of the military fronts, but also of taking care of some of the civilian fronts as we move forward.

The lengthening military supply lines will throw ever-increasing burdens on tire-borne transport facilities as, for instance, the Russians

are now about 1,000 miles farther west than they were at Stalingrad. That is one part of the line. We have similar problems in Italy, where just the other day a vast number of trucks, over 200, were severely damaged. They are not our own, fortunately, they are the enemy's, but it will indicate to you, I believe, the supply problem—the transport problem—that we face, both in this country and in foreign theaters as we move into them.

That I think, about covers the broad problem of supply and requirements, but a more complete statement is contained in the report which Mr. Whitney and I have made available to your committee.¹

Mr. Whitney has gone very fully into the highly technical and complex, and heretofore not too fully explained, problem of rayon versus cotton cord, and I assume that you would like to hear from him.

Senator STEWART. Mr. Chairman, is it permissible for nonmembers of the committee to interrogate?

The CHAIRMAN. Yes, sir; nobody at this table is barred from asking questions. I usually give the members of the committee an opportunity to ask questions first. Senator Connally?

Senator CONNALLY. Go ahead, Senator.

The CHAIRMAN. Proceed, Tom.

EXPANSION OF CAPACITY FOR PRODUCTION OF RAYON TIRE CORD

Senator STEWART. I had in mind a question or two I wanted to ask the witness. What will be the approximate shortage of rayon cord this next year?

Mr. JACOBSON. At the moment on the books there is a shortage of about 40,000,000 pounds against their minimum net requirements. In other words, the 206,000,000 pounds, less the 42,000,000 pounds, would give us 164 in requirements, and we will have around 124 in production or in actual output.

Senator STEWART. You first stated, as I understood, that the requirements were about 206,000,000 pounds, and that the facilities for developing or manufacturing that rayon cord were limited so as to manufacture only about 112,000,000 pounds, or just a little more than half the needed amount. As of what date do these figures obtain?

Mr. JACOBSON. That is as of about August 21 that we got that information.

Senator STEWART. August 21, 1943?

Mr. JACOBSON. 1943; yes, sir.

Senator STEWART. If I caught your figures correctly, that would make your shortage considerably above 40,000,000 pounds.

Mr. JACOBSON. I perhaps didn't explain that too fully, Mr. Senator. The 112,000,000 pounds that I was speaking about was as of the day on which we started our investigation into this proposition. Since that time an additional facility has been approved, out of which we hope to get an additional 6,000,000 pounds in 1944. In addition to that, we are figuring into the over-all picture some 6,000,000 pounds coming from Canada. Those two 6's plus the 112 that was in sight at the beginning of our investigation would provide in 1944 the 124 million as against the 164 million net requirement for 1944.

Senator FERGUSON. What cord facility do you now have under construction that may help?

¹ See Exhibit No. 906, appendix, pp. 8900-8937.

Mr. JACOBSON. Tire cord?

Senator FERGUSON. Yes.

Mr. JACOBSON. We have 43,000,000 existing domestic capacity. We have the difference between that and the 194, namely, 151,000,000 pounds under conversion or construction.

Senator FERGUSON. Then what have you planned in the future?

Mr. JACOBSON. Mr. Whitney and I, after making our study of this, have recommended that an additional 40,000,000 pounds of capacity be converted to the production of high tenacity rayon yarn.

Senator FERGUSON. When you say converted, do you mean using the machines that are now making cotton?

Mr. JACOBSON. No, these are machines that are now producing civilian type rayon yarn, the ordinary type of viscose yarn.

Senator FERGUSON. That is cloth machines?

Mr. JACOBSON. They make the yarn that goes into the cloth that goes into women's dresses and things like that.

Senator FERGUSON. And you are going to convert those machines over to making rayon cord for tires?

Mr. JACOBSON. That has been Mr. Whitney's and my recommendation, yes, sir.

Senator FERGUSON. Have you any new machines under construction?

Mr. JACOBSON. There are in that facilities program, which is going ahead now, some new machines that are coming in. It is not entirely a new construction job. It is a conversion and expansion job: some new equipment, some old equipment.

Senator FERGUSON. Are you converting any machines that are making cotton cord to rayon?

Mr. JACOBSON. No, sir.

Senator FERGUSON. That has not been done?

Mr. JACOBSON. No, sir.

Senator FERGUSON. Do you anticipate that you will do that?

Mr. JACOBSON. I don't know, Mr. Senator, that I have quite clearly in mind what you mean.

Senator FERGUSON. Can you convert machines that are making cotton cord to rayon cord machines?

Mr. JACOBSON. I see what you mean now. I had been speaking of the manufacture of rayon yarn which is then woven into a fabric, and that fabric can be produced on either machines that would normally manufacture a cotton fabric, or they can be manufactured on new machines that might be provided.

Senator CONNALLY. Mr. Jacobson, what is your title over in the War Production Board?

Mr. JACOBSON. I am a special assistant to Mr. Nelson.

Senator CONNALLY. Have you any particular kind of duties, or are you just a general utility man?

Mr. JACOBSON. General utility man.

Senator CONNALLY. What was your business before you came with the War Production Board?

Mr. JACOBSON. From 1931 until I resigned in 1942, I was with the Chase National Bank of New York.

Senator CONNALLY. Have they got a rubber department that qualifies you?

Mr. JACOBSON. No, sir.

Senator CONNALLY. Chase National Bank. Now, how much time have you spent on this rubber program, tires, I mean in cord stuff, cotton, and rayon?

Mr. JACOBSON. About 1 month.

Senator CONNALLY. About a month?

Mr. JACOBSON. Yes, sir.

Senator CONNALLY. And the War Production Board presents you here as an expert on the subject, having acquired all this knowledge in a month?

Mr. JACOBSON. Mr. Nelson asked us to develop this for him, to go into it as thoroughly as we could. Perhaps by appearing first here, I am unduly dignifying myself, Senator. I am more or less the figure man who adds up figures and approaches the problem from that angle.

Senator CONNALLY. Well, but you are testifying. An adding machine can add up figures, and you are testifying about this matter and I want to get your background. I am not trying to humiliate you or bother you, but I just wondered how the W. P. B. decided this whole question on the testimony of a man——

Mr. WHITNEY (interposing). Mr. Chairman, might I inject a word here? I have been in business a good many years, Senator Connally. I have had to make engineering reports on all kinds of subjects. I first became acquainted with Mr. Jacobson about a year ago, when he was loaned to me——

Senator CONNALLY (interposing). Just a minute. I am conducting this examination.

Mr. WHITNEY. I would like to tell you——

Senator CONNALLY. You are not going to take charge of this meeting. Mr. Chairman, I want to know who is running this meeting, this man over here or you?

The CHAIRMAN. I am running it, sir. What is the difficulty?

Senator CONNALLY. I am perfectly willing for him to intervene, but——

Mr. WHITNEY. I would like to say a word in Mr. Jacobson's behalf.

Senator CONNALLY. You wait a minute until we get to you.

The CHAIRMAN. Proceed, Tom.

Senator CONNALLY. I want to ask him, but he is taking charge of my interrogation and everything else. I want to be courteous, I don't object to his intervening, but I object to his taking charge of the meeting when I am trying to interrogate another witness. What is it you want?

Mr. WHITNEY. I just wanted to tell you, sir, that I have never in all my experience been associated with a man who helped me so much, first with alloy steel, then with the 100-octane-gas program; who is better qualified to analyze figures and get results and delve in and check facts. I have never been associated with a man in whom I have greater confidence, and the work he has done and the help he has been to the war during the year he has been down here is something that I think we should all recognize and speak of.

Senator CONNALLY. Well, nobody objects to your estimate of him, but I thought you might permit us—you seem to have taken charge of this whole works. I thought you might permit some of us to ask

questions about his background without accepting just exactly what you have to say about it. Is that satisfactory?

The CHAIRMAN. Proceed, Senator.

Senator CONNALLY. With your permission now, I will go ahead.

The CHAIRMAN. Ask any questions you wish, Senator.

Senator CONNALLY. I don't come to this committee very often, but the insolence of some of these witnesses you have here is astounding to me.

The CHAIRMAN. I don't want any of us to be insolent to a Senator, and I don't believe he intended to be.

Senator CONNALLY. Now, Mr. Jacobson, what about these tests you had; do you know anything about these tests that were made last fall in 1942 as between the relative merits of rayon and cotton?

Mr. JACOBSON. I have been present at quite a number of meetings and gone over quite a number of tests. I am not qualified, sir, to speak on that. I would much prefer to have Mr. Whitney speak, if that is all right with you, sir.

Senator CONNALLY. So you are not prepared to testify as to the relative merits on that particular test in October?

Mr. JACOBSON. I would much prefer to have Mr. Whitney go into that, Mr. Senator.

Senator CONNALLY. I am talking about you. You don't care to testify about that?

Mr. JACOBSON. That is right.

Senator CONNALLY. Then, your present attitude is that we are going to have to use all the rayon we can get, and a good deal of cotton, too, is that right?

Mr. JACOBSON. Mr. Senator, we are going to have to use a tremendous quantity of both types of tire cord. I am as firmly convinced of that as I can be of anything. I tried to approach this problem on a broad basis, such as you would wish it approached, and we are going to need all the cotton and rayon cord that we can lay our hands on next year. I just don't believe there is any other conclusion that can be reached.

I think Mr. Nelson felt the same way; I know he felt the same way about it.

Senator CONNALLY. In what type of tires is the cotton superior?

Mr. JACOBSON. Could I again suggest Mr. Whitney?

Senator CONNALLY. I want to know if you know. If you don't, say so. If you do know, tell me.

Mr. JACOBSON. I will say I do not know.

Senator CONNALLY. That is all right; that is very frank. In what kind of tires is the rayon better?

Mr. JACOBSON. Similarly, I would like to say I don't know.

Senator CONNALLY. You don't know?

Mr. JACOBSON. That is right.

Senator CONNALLY. So your testimony simply really amounts to the fact that you kind of assembled this data and added it up and are telling the committee about it, is that right?

Mr. JACOBSON. That is one interpretation of it, Mr. Senator.

Senator CONNALLY. You give me yours.

Mr. JACOBSON. I would like to give you another interpretation on this, because I think it is important that we understand it. There are

some broad principles and basic facts in this whole thing which I think we have hit upon, and the job that we have tried to do goes beyond adding up some numbers and coming out with the conclusion. We have tried to bring the type of judgment which we feel your committee would like to have brought to any of the problems that come to their attention. In other words, we have tried to do as good a job for you people as we possibly could in making an impartial investigation of this.

Senator CONNALLY. That is all, Mr. Chairman.

Senator BANKHEAD. Mr. Jacobson, do I understand you to say that you have joined in a recommendation to increase the capacity of rayon by 40,000,000 pounds for the production of cord tires?

Mr. JACOBSON. Yes, sir.

Senator BANKHEAD. Rayon cord tires. You have joined in that recommendation, notwithstanding the fact that the present capacity very greatly exceeds the actual production?

Mr. JACOBSON. That is right, Mr. Senator.

Senator BANKHEAD. That is correct, is it?

Mr. JACOBSON. That is right. Authorized capacity does not exceed actual production.

DEFENSE PLANT CORPORATION FINANCING OF RAYON CORD EXPANSION FACILITIES

Senator BANKHEAD. How much money is the Government arranging or making available to these rayon and rubber people for the production of these rayon cord tires?

Mr. JACOBSON. The program which has already been approved, Mr. Senator, calls for 194,000,000 capacity.

Senator BANKHEAD. I asked you about how much money the Government is making available to them in order to bring about that amount.

Mr. JACOBSON. I was making a rather long answer. The total cost of the program is about forty-four or forty-five million dollars of which not over \$10,000,000—10 million plus a few hundred thousand dollars—involves Government money.

Senator BANKHEAD. Are these manufacturers borrowing from the Government.

Mr. JACOBSON. No; the 10 million is being constructed under D. P. C. authority, with D. P. C. funds—Defense Plant Corporation.

Senator BANKHEAD. What is that, a sort of bonus the War Board is putting up to them?

Mr. JACOBSON. No.

Senator BANKHEAD. What is it for? Why is the War Production Board putting up \$10,000,000?

Mr. JACOBSON. The War Production Board is not, Mr. Senator.

Senator BANKHEAD. Who is?

Mr. JACOBSON. The Defense Plant Corporation is financing 10 million of it.

Senator BANKHEAD. That is on the certificate, isn't it, of the War Production Board?

Mr. JACOBSON. Yes, sir.

Senator BANKHEAD. I asked about the Government. That includes all agencies.

Mr. JACOBSON. Yes, sir.

Senator BANKHEAD. All right, let's not be technical about it. Which ever agency does it, it all comes out of the taxpayer's money, so we will just deal now with the Government, and the Government is contributing \$10,000,000 to help build plants for these big rubber companies and the rayon companies, is that correct; for the production of a competitive article with cotton, is that correct?

Mr. JACOBSON. That is right, sir.

Senator BANKHEAD. Why is the Government making that contribution?

Mr. JACOBSON. I haven't been into that fully, Mr. Senator.

Senator BANKHEAD. Do you know of any need for it? Aren't these producers amply able, not only in their own financial capacity but in their credit facilities, to get all the money they need?

Mr. JACOBSON. I would assume they are, sir.

Senator BANKHEAD. And these plants are being built with the view of permanent manufacture in competition with cotton, are they not?

Mr. JACOBSON. I do not know.

Senator BANKHEAD. You would assume that, wouldn't you, as a businessman?

Mr. JACOBSON. I would assume so.

Senator BANKHEAD. So the Government, then, is helping by donation to build a competitive business to cotton; that is correct, isn't it?

Mr. JACOBSON. That is right, sir.

Senator BANKHEAD. You haven't heard of the Government's making any contribution to the cotton industry to increase their capacity, have you?

Mr. JACOBSON. I believe that an additional spindle program has been under way.

Senator BANKHEAD. Under way—what do you mean, under way?

Mr. JACOBSON. I mean facilities for new spindles are being constructed, some of which are going to cotton plants and some of which are going to rayon plants. In addition, in order to help the critical manpower problem which we have down in the Georgia area, the Government is going ahead on a proposition of building a number of houses so that labor can be attracted into this Georgia area and work in the cotton mills. They are having quite a manpower problem down there.

Senator BANKHEAD. That is a housing proposition, isn't it, and not a production plant proposition?

Mr. JACOBSON. That is right, sir.

Senator BANKHEAD. And they are doing it both for rayon and cotton, is that your statement?

Mr. JACOBSON. These houses?

Senator BANKHEAD. The housing proposition.

Mr. JACOBSON. The houses that I was speaking of were all for the cotton plants down in Georgia.

Senator BANKHEAD. You mentioned rayon in connection with it just now—cotton and rayon, as I understood you to say.

Mr. JACOBSON. It is the cotton plants in Georgia to which I was referring.

Senator BANKHEAD. Do you know whether the Government has expended that money or not?

Mr. JACOBSON. It has not as yet.

Senator BANKHEAD. How much has it authorized to be expended, do you know?

Mr. JACOBSON. I do not know.

Senator BANKHEAD. It is just in process—some petition or application or discussion pending, is that the idea?

Mr. JACOBSON. Mr. Nelson has indicated that he has approved the program for going ahead and doing just that sort of thing.

Senator BANKHEAD. That is in line with all of these housing programs in connection with production plants, isn't it—part of the general housing program?

Mr. JACOBSON. That is right, sir.

Senator BANKHEAD. Just an incidental part of it.

Some of them will be used in the neighborhood of the cotton mills.

Do you know whether the 10,000,000 you mention is the limit that the rubber companies and the rayon companies are getting from the Government on that project?

Mr. JACOBSON. As far as the high tenacity rayon cord program that has been approved, that is correct. We do not know at this time what Government financing, if any, will be involved in the 40,000,000-pound conversion we have recommended.

Senator BANKHEAD. As far as anything is concerned, where they are producing in competition with cotton. Are they producing anything else in competition and displacement of cotton.

Mr. JACOBSON. Not that I know of, sir.

Senator BANKHEAD. Don't they get the money spent on these plants charged off over a certain number of years?

Mr. JACOBSON. I would assume so; yes, sir.

Senator BANKHEAD. At what rate?

Mr. JACOBSON. I do not know, sir.

Senator BANKHEAD. You don't know. Still you are advising that this program be carried out and extended and enlarged.

Mr. JACOBSON. Yes, sir; in the interest of the war effort.

Senator BANKHEAD. Don't they in 4 or 5 years get it all charged off—depletion or depreciation, some item, I don't know exactly what you call it? Don't they get it all charged off on their taxes within 4 or 5 years?

Mr. JACOBSON. I am not an expert on that, sir, but I believe that is true.

Senator BANKHEAD. You believe that is true. You at least have heard it as you went around in those circles. You have heard it, so that the result is that millions of dollars there—how much did you say these total investments are going to be for rayon production?

Mr. JACOBSON. About \$44,000,000 is in the existing approved programs.

Senator BANKHEAD. So in 4 or 5 years, that will all be charged off and these rayon producers will have, without further cost, plants aggregating around forty or fifty million dollars to continue their competition with cotton. That is correct, isn't it?

Mr. JACOBSON. I wish I were a tax expert and could answer "Yes."

Senator BANKHEAD. That is your understanding, isn't it?

Mr. JACOBSON. Not quite, sir.

Senator BANKHEAD. What is your understanding about that? I want the facts. That is all I want.

Mr. JACOBSON. I believe in that connection that they cannot charge off all of these investments that rapidly. Moreover, you have the proposition that they have invested their own money to a considerable extent. I don't personally care whether the rayon companies have invested a penny or not in this. To me, if it is important in the war effort, that is the sole criterion which I have.

Senator BANKHEAD. Regardless of its results after the war on competitive products?

Mr. JACOBSON. I would like, sir, to think about after the war—

Senator BANKHEAD (interposing). Now if the Government put up the money, couldn't the production capacity of cotton tire cord be increased in the same way that rayon can be?

Mr. JACOBSON. The production of cotton cord will be increased.

Senator BANKHEAD. But the Government and your Board are not taking any steps toward bringing about an increase in the production of cotton cord tires, are they?

Mr. JACOBSON. Yes; they are.

Senator BANKHEAD. Well, what are they doing?

Mr. JACOBSON. There are at least three steps.

Senator BANKHEAD. I mean in the way of financing now like they are doing with rayon.

Mr. JACOBSON. In terms of building new plants?

Senator BANKHEAD. Yes.

Mr. JACOBSON. I think the answer to that is, no, sir; they are not.

Senator BANKHEAD. All right that is fair. Now, they are not proposing to give any priority orders, either, are they, for material to build additional equipment—equipment material for increasing the production of cotton cord tires? They are giving all that to rayon, aren't they—the priority orders?

Mr. JACOBSON. They are giving priority orders to rayon, that is true.

Senator BANKHEAD. And you know of none they are giving to cotton.

Mr. JACOBSON. They will be giving them to houses.

Senator BANKHEAD. On houses. I asked you about priority orders for equipment for cotton plants.

Mr. WHITNEY. Yes; there are priority orders to cotton plants producing cotton cord.

Senator BANKHEAD. Let this witness answer. You are too intelligent to be interrupting that way and making suggestions to a witness.

Mr. JACOBSON. High priorities will be given, I am sure.

Senator BANKHEAD. Will be? You are ruling for the Board now?

Mr. JACOBSON. No, sir.

Senator BANKHEAD. But they haven't been, and they have been given to rayon for a year, haven't they, continuously from time to time to increase them, notwithstanding the protests that have been entered, notwithstanding the ruling and finding of this Truman committee, one of the greatest committees recognized everywhere, that Congress has created, that it ought not to be done; still you are going on giving priorities to the rayon and rubber people?

Mr. JACOBSON. May I say, sir—

Senator BANKHEAD (interposing). Wait a minute. Answer my question. Isn't that a fact?

Mr. JACOBSON. Yes; that is correct, sir.

Senator BANKHEAD. That is correct, taking the thing into their own power. It is going on regardless of everything else and giving the

Government's money away, and giving priority orders away to set up very substantial programs which ultimately will be a free investment for rayon and rubber in competition with the poorest paid farmers in America, made up in large part of tenants, colored as well as white. You are setting up here now the rayon and rubber companies in competition with that class of the citizens of this country. That is going on, isn't it?

Mr. JACOBSON. May I say one thing at this point, Mr. Senator: I come from Montana. I come from an agricultural area.

Senator BANKHEAD. I am not asking you about your attitude. I am assuming that your character is clean, although you have had a great bank environment, and sometimes, you know, that changes a man's attitude toward the poor.

Mr. JACOBSON. You can be a member of a great bank and still not be rich.

Senator BANKHEAD. I know, but you have got an environment when you are in there. You hear big figures discussed. You forget about little fellows with families living on two or three hundred dollars a year. You are liable to, at least, when you are in the atmosphere of such an institution as Chase National Bank; but I am not going into that. I haven't impugned your motives at all.

Mr. JACOBSON. Thank you, Mr. Senator.

Senator CONNALLY. Senator, right there may I ask one question? May I interrogate you? What are the names of these rayon companies that are going to get these 45 million?

Mr. JACOBSON. American Viscose Corporation, North American Rayon, American Enka, du Pont—

Senator CONNALLY (interposing). Du Pont is in a bad way; it needs the money, doesn't it?

Mr. JACOBSON. I haven't looked at their balance sheet for a long time, Mr. Senator, but I never knew they were in a bad way. The other one is Industrial Rayon.

Senator BANKHEAD. What rubber companies are in this deal?

Mr. JACOBSON. Mr. Senator, I know of no rubber companies that are in any deal in connection with this. We have tried to look into that as carefully as we can.

Senator BANKHEAD. Aren't they going to produce these tires?

Mr. JACOBSON. The tire companies; yes, sir; will have to produce the tires.

Senator BANKHEAD. Well, then, they get the work out of it.

Mr. JACOBSON. That is right, sir, and theirs is the job to turn out the number of tires that we are going to need next year, and it is a tremendous job, Mr. Senator. It really is.

Senator BANKHEAD. Yes; but you don't know anything about the technical phases of this construction of rayon and cotton.

Mr. JACOBSON. I am not qualified to speak on that, Mr. Senator.

The CHAIRMAN. We are trying to make a record to find out just exactly what this report showed on the construction of rayon and cotton cord. If you gentlemen will give me a chance to get this record made, then I want you to ask all the questions you care to. I don't want to interrupt you, Senator, you are perfectly welcome to ask any questions you want, but I am trying to get a record to find out what the tests showed with regard to rayon and cotton cord.

Senator BANKHEAD. I am for you 100 percent.

The CHAIRMAN. After we get that information, then I am perfectly willing to have any questions asked that any Senator wants to ask, on any question he wants to ask it, but I want to let Mr. Whitney proceed to give the results of the tests in which we are interested in the special report which he got out for the War Production Board.

Will you proceed now with your statement, Mr. Whitney?

RESULTS OF TESTS OF COTTON AND RAYON CORD TIRES

Mr. WHITNEY. Mr. Senator, I would like first to review the terrific problem with which we were faced after Pearl Harbor. No real stock pile of natural crude rubber had been built up, and within 2 years we had to be in production making tires out of synthetic rubber in larger quantities than we had ever made truck tires before in our history. We had no experience back of us on any real production basis, either of producing the rubber or of making the tires out of it, and I should say that the amount of research work done up to today, test fleets, research by the rubber-tire-company laboratories, is equivalent to upward of 20 years of research work in normal times.

Now, these companies had different backgrounds. A few of the major companies had done work with synthetic rubber and had been doing research in connection with the petroleum and other companies that were trying to develop synthetic rubber, but that data was all very secret and each company kept its information to itself and gave out nothing.

The Rubber Director had to get the rubber produced; he had to have the tires made. There were lots of differences of opinion as to how this synthetic rubber should be mixed, whether you should put it all on the tread and use the gum rubber in the carcass of the tire, or whether you should mix it in both; whether you could use the synthetic rubber as the cement between the different plies or whether you had to use natural gum rubber. Those were very controversial questions. In the laboratory test, they have these wheels. They blow a tire up and put it on a wheel and run it over a drum with cleats on it, and then they vary the load, increase the load every 500 miles until the tire blows out, and find out what causes the failures, how hot it runs, all that sort of thing, testing out the various types of construction.

From a research and development point of view, it has been a perfectly gigantic task, and what they have done, I think, what they have accomplished today, is very extraordinary.

Now, referring to the tests on the tires which you saw when you made your report, and the operating test courses, and so forth, there were questions about some of them. From my own point of view, after investigation (and having had to make up my mind on situations of a similar nature a good many times) the trend to me from those earlier tests was that on the larger tires, the rayon was infinitely superior, not infinitely superior on all, but on the 8.25 and larger, yes; on the medium, that it was not definite, and on the smaller, that the rayon wasn't needed.

I went over the courses. I haven't been down to the courses. I have seen a movie of the much discussed Normoyle course. I was in France about a year in the last war, and I would say that parts of that test course were a boulevard in comparison to some of the places that I

took trucks in the last war. We were one of the few motorized outfits over there.

In the earlier tests many of the companies were mixing their rubber in a little different way. They were making the tire in a little different way. There were bound to be a terrific number of variables. These tests were being run to determine how to build a synthetic rubber tire. They used every kind of cord that was offered. No company was held back. Every tire company could submit any samples it wanted to.

So you have ups and downs. You have good rayon; you have poor rayon. You have good cotton; you have poor cotton; and in those tests there were so many variables that all you could get out of them was a trend: What did it show on the average of averages?

I looked those over and then I was quite fascinated. I wanted to know what fundamental technical data there was. I had never seen any consolidation of the work done in the laboratories over a period of years. Remember, now, the controversy of rayon cord versus cotton cord has been going on for nearly 10 years, and so I got together with the technical men of the tire companies. There has been no technical work done on tire cord, that I know of or have been able to find, outside of these rubber company laboratories.

Remember that these rubber companies, these tire companies, own about 95 percent of all the cotton spinning facilities and of all of the cotton twisting, making it into cord. Goodyear have an enormous investment in a cotton plantation out near Phoenix, Ariz. The technical men of these companies are all cotton textile experts, with one exception, only one man of the whole group, and he is a chemical engineer. The others all grew up in cotton mills; they went to the southern cotton and textile technical schools; in fact, they are made of cotton.

The investment of the tire companies was in cotton, in cotton mills, cotton-twisting facilities, cord-making facilities. They had every reason in the world to continue to use these plants in which they had these enormous investments—every reason. I always try to consider how the technical data that I get is flavored by the head office. I have had some sad experiences when I couldn't get the truth because they wouldn't let the technical men tell the truth.

Senator STEWART. You say the technical men wouldn't tell the truth?

Mr. WHITNEY. They wouldn't let them.

Senator STEWART. Who wouldn't?

Mr. WHITNEY. The head offices of some companies. This is past experience.

Senator STEWART. Oh, that is something that has been abandoned?

Mr. WHITNEY. I mean, I have had it happen to me in other cases where I was getting data.

Senator STEWART. You don't mean to say it has been occurring here?

Mr. WHITNEY. I do not think so, sir.

The background of these men, every one of them, is such that they wanted to prove cotton better. They have been working on cotton, trying to make it better. The U. S. Rubber have done more work on the processing of cotton to make the cord better than any company of which I know, and they are coming out with a new process now that they are going to grant license free, and we are in high hopes that is going to improve the cord so that we can make these 7.50-20/8-ply

instead of 10-ply, because the thicker we make the tire, the hotter it is going to run.

Senator MAYBANK. What are they going to make them of, cotton or rayon, this new process you are speaking of?

Mr. WHITNEY. Cotton, sir; and mercerized cotton.

Senator MAYBANK. The reason I asked that, their big plant is in the State I am from, and they are having an exhibition, as you know, sometime next month I believe it is.

Mr. WHITNEY. Which plant?

Senator MAYBANK. At Winnsboro, S. C., the big tire mills that are there. The United tire companies have their big mill there?

Mr. WHITNEY. The U. S. Rubber Co.?

Senator MAYBANK. Yes. They are there, and they are going to have this exhibition in Washington, and I have been invited by the manager and so forth, and he wanted me to come. That is why I asked that question. And that new excellent tire is going to be made out of cotton?

Mr. WHITNEY. Yes, sir; they are working on a cotton cord.

Senator MAYBANK. So they are proving they can do something well worthwhile with cotton for a big tire?

Mr. WHITNEY. Sir, that looks awfully doubtful to me, because your—

Senator MAYBANK (interposing). It looks doubtful to you, but you say they are making it out of cotton?

Mr. WHITNEY. No; just a minute, sir; because a cotton cord of equal strength is approximately 42 percent greater in diameter than a rayon cord.

Senator MAYBANK. I am not interested in the percentages as much as I am in the statement that you made, as I understood you to say that that new type of tire is to be made out of cotton, primarily.

Mr. WHITNEY. Well, it isn't a new type of tire, sir. It is a new type of cord.

Senator MAYBANK. That is technical.

Mr. WHITNEY. Oh, no; it is an improvement on cotton, natural cotton cord the way it has been made in the past.

Senator MAYBANK. It is cotton?

Mr. WHITNEY. Yes, sir; surely.

Senator MAYBANK. That is what I wanted to get.

Mr. WHITNEY. The only old operating data was some the Air Corps had; the Air Corps had started to shift from cotton to rayon some few years ago, and they showed an over-all improvement in their rayon tires of approximately 35 percent—they last 35 percent longer—and we have just been informed by the Air Corps that their requirements for 1944, instead of being stepped up very materially, are going to be about as they were originally because of the tremendous number of rayon cord tires which they find they can recap.

You can recap a rayon cord tire because the carcass does not blow out, from two to three times; whereas a very high average on a cotton cord carcass is one recap. After the Air Corps, I went to the truck companies, the Inter-City, the National Associations of Bus and Truck Operators; I have here reports from the Greyhound Corporation Public Service Coordinated Transport (all the Public Service companies), the Interstate Transit Lines, Tri-State Transit,

Louisiana, Burlington Transportation Co.—that is one of the Trailways, Southeastern Greyhound Lines, and then a statement from the Goodyear Rubber Co., who put out a lot of contract tires.

Now the average improvement in service through the past three years on rayon cord tires—and all of the companies admit that they are carrying today 25 to 30 percent heavier overloads than they carried before, that they are getting even with that 25 or 30 percent overload an average of 30 percent greater mileage out of the rayon cord tires than they are out of the cotton cord tires, and these were over a year's operation. I cite you one, for instance, the Burlington Transportation Co., one of the Trailways group, reports on operations with contract mileage tires west of the Missouri River as follows:

On this contract, during the period March 1942 to February 1943, inclusive, 276, size 11.00/20 and 11.00/22, rayon cord tires removed from service, averaged 71,532 miles. You remember when we thought 3,000 miles was a long run for a tire. This is 69 percent—69 percent greater average mileage than was obtained during the same period—that is March '42—February '43, inclusive, on 89 cotton cord tires of the same sizes, that is 11.00/20 to 11.00/22, removed from operation east of the Missouri River.

The temperatures and road conditions east of the Missouri River are better than they are west of the Missouri River, and that 69 percent is this last year of operation, both east and west of the river, and on the rayon and cotton cords they were presumably operating with about the same overload. In other words, the busses, if you have been in them—I have this past summer, every human being that can be gotten into the bus is in the bus; I don't know how they could get any more in.

Mr. HALLEY. Mr. Whitney, you referred to the past experience of the bus companies and the air force. Was that experience with natural or synthetic rubber?

Mr. WHITNEY. This was all with natural rubber, every bit of this past history was all with natural rubber.

Mr. HALLEY. Now do you recall whether or not any scientific tests were conducted to bring out the relative merits of cotton and rayon cord in tires made of natural rubber?

Mr. WHITNEY. The same kind of scientific technical research, Mr. Halley, was conducted by the tire companies when they were going through the stage of developing rayon cord tires, and trying to stay with the cotton, to keep rayon out; they were constantly testing, testing, testing, and then they put these tires on their own industry test fleets and each company ran 4 or 5 trucks or busses out on the country roads, just testing the tires, doing nothing else.

Mr. HALLEY. Is it not a fact, though, that in November and December of 1942 the United States Army conducted tests on natural rubber tires with cotton and rayon carcasses?

Mr. WHITNEY. They did, sir.

Mr. HALLEY. And are you acquainted with Capt. J. J. Robson, who conducted those tests?

Mr. WHITNEY. I am, sir, very well.

Mr. HALLEY. And have you had an opportunity to form an impression of his technical qualifications?

Mr. WHITNEY. I have; I sat in with him individually with other gentlemen and at the meeting of the Pneumatic Tire Ordnance Advisory Committee in Akron.

Mr. HALLEY. And what is your opinion of his technical ability?

Mr. WHITNEY. I think that he has—he is a young man but he has really great ability and he is a very good analyzer; my God, he has courage and he goes ahead and gets things done, which is one thing we had to do, we had to move and move fast.

Mr. HALLEY. Well, did he advise as to the results of these tests on natural rubber tires?

Mr. WHITNEY. He went over the tests with me and I asked him questions about all the tests, from which I drew my own conclusions.

Mr. HALLEY. Well, I would like to read you a bit of a record which this committee made in a private hearing with Captain Robson, and ask you whether his statements to the committee at that time are the same as his statements to you. The question was asked of Captain Robson:

Question. So you would say that as far as natural rubber is concerned, the standard gage tire made from cotton cord is superior by something in excess of 5 percent to the rayon cord?

Answer. That is a very close percentage there. I would say that for our military type service with natural rubber, rayon certainly had no advantages.

Question. How could it "certainly have no advantage" if it were inferior by 5 percent?

Answer. All right; it was inferior.

Mr. WHITNEY. He had nothing to go by but his tests; that is all he was looking at in those particular tests. Now, if you analyze those tests, as I have said before, you will find one maker who has been making rayon cord tires for many years, submitting tires which are very much inferior to rayon cord tires made by a maker who has just been making them for 5 or 6 months —

Mr. HALLEY. The natural rubber tires, not the synthetic?

Mr. WHITNEY. Those were the natural rubber tires; there you find the same thing; outstanding companies submit tires you can't explain for these tests. Good Lord, I have seen it in steel so many times, you think you have the answer and then you get a flaw, I don't care whether the alloy is perfectly mixed and the ingredients are perfect, give it a bad heat treatment and you ruin it.

Mr. HALLEY. In any event, though, were any further tests made on natural rubber?

Mr. WHITNEY. On natural rubber; no, sir; because no natural rubber was going to be available, and why?

Senator FERGUSON. I don't think I got the answer you gave to Mr. Halley. Did the witness state to you the same facts Mr. Halley read to you?

Mr. WHITNEY. When we went over the test, he said yes, the natural rubber with rayon cord was inferior. He didn't question one thing, all we did was to go over the tests.

Senator FERGUSON. The question is did he say to you that cotton was superior to rayon when it was used with natural rubber?

Mr. WHITNEY. He never made that statement to me, no, sir.

Senator FERGUSON. Did you understand what Mr. Halley read to you?

Mr. WHITNEY. Yes; I do.

Senator FERGUSON. Isn't that what Mr. Halley read?

Mr. WHITNEY. If he did say that at a previous hearing, it was not with me; I wasn't there.

Senator FERGUSON. Did he ever say that to you?

Mr. WHITNEY. No, sir.

Senator FERGUSON. Did he ever say that to you?

Mr. WHITNEY. No, sir; no; we didn't discuss it; we looked at these tests; we went over each one of these tests and compared the findings to see where we were at.

Mr. FULTON. I ask with respect to these bus tires where natural rubber with cotton didn't turn out as well as rayon, whether those bus tires were of new high-tenacity cord?

Mr. WHITNEY. The new high-tenacity cotton cord? They were of the very best. I don't know what you mean by high tenacity cotton cord, sir, because I don't know of that definition.

Mr. FULTON. Well, were they of the type tires run in the 1942 fall test which outran rayon tires in the Army test?

Mr. WHITNEY. I imagine so, sir; I imagine they were; I cannot imagine a tire company building cotton cord tires for contract mileage work without putting the very best cotton cord in them that they know how to make.

Mr. FULTON. Do you know when they were built?

Mr. WHITNEY. When the tires were built?

Mr. FULTON. Those bus tires may have been built 2 years ago?

Mr. WHITNEY. No, sir; because I don't think you will find any of the bus lines carrying very much of an inventory.

Mr. FULTON. But you wouldn't know whether they were the high-tenacity cord or not?

Mr. WHITNEY. I don't know what you mean by high-tenacity cotton cord, sir; I don't know of any such cord by that name.

Mr. FULTON. I see. Well, the low-gage cord then?

Mr. WHITNEY. I am sure they were not low-gage, and the low-gage is not as good as the regular; that has been—the low-gage has been discounted completely, as admitted by the proponents of the low-gage.

Mr. HALLEY. In any event was any attempt made to find out why the only scientific test conducted by the Army on natural rubber showed up cotton to be superior, to your knowledge?

Mr. WHITNEY. No; and I don't see why they should have. What would have been the object? They knew they had no natural rubber; they had to make tires of synthetic rubber.

Mr. HALLEY. But there was no prior experience on synthetic rubber?

Mr. WHITNEY. A little.

Mr. HALLEY. Not enough to form judgment on.

Mr. WHITNEY. No; no, sir.

Mr. HALLEY. So that to form a judgment on the synthetic rubber you would have to rely on tests subsequent to November 1942; is that right?

Mr. WHITNEY. Let me show you the way the minds of those engineers ran, may I?

Mr. HALLEY. May we just agree on that one point, that in order to form a proper judgment on synthetic rubber you would have to rely on tests conducted after November 1942?

Mr. WHITNEY. Yes, sir.

Mr. HALLEY. Thank you. I am sorry I interrupted you.

Mr. WHITNEY. Now the failure with the cotton cords and the wearing out, the failure of those tires in natural rubber was always due to high temperature, so knowing that synthetic rubber runs on the average about 40° hotter—that is because of the molecular structure of the synthetic rubber, it is different and unfortunately it gets stiffer, the older the tire the stiffer it is going to get, the stiffer it is the more heat it generates in working. Now the synthetic tire runs 40° hotter, so it was a natural assumption, perfectly natural assumption, for any engineer to say "My heat failures with rayon cord tires have been brought to a practical minimum; we have had no fatal accidents with blow-outs of front tires, or practically none, in the last 3 years."

With rayon cord tires we have had no fatal accidents on our busses due to tire blow-outs. Prior to the advent of rayon cord tires they were very, very frequent, a great many fatal accidents.

Senator MAYBANK. How does that compare with cotton?

Mr. WHITNEY. A great many fatal accidents with cotton cord tires on the busses; all you have to do——

Mr. HALLEY. Are you familiar with Mr. Jeffers' testimony before the committee on that subject?

Mr. WHITNEY. I am familiar with Mr. Jeffers' testimony on that subject, and all I can say is that I have gone into this personally; I have the records from these companies; I am saying what I believe to be the truth, what I have found out, and I don't care what anybody said before.

Senator MAYBANK. You do know that Mr. Jeffers took the position that he did not form any personal judgment from the experience of the bus lines run by his company?

Mr. WHITNEY. I am quite aware of that.

Senator MAYBANK. You say they had a good many fatal accidents in the last year or so?

Mr. WHITNEY. No, sir; they used to have; practically none of the bus lines have used cotton cords in the last few years.

Senator MAYBANK. Well, the last year or so, though, has been the only time they have used rayon.

Mr. WHITNEY. No, sir; many of these companies have been running on rayon tires. One of the principal intercity bus operators in the South hasn't used a cotton cord tire in 3 years.

Senator MAYBANK. That is intercity?

Mr. WHITNEY. I beg your pardon?

Senator MAYBANK. You said intercity?

Mr. WHITNEY. Intercity, high-speed intercity truck and bus.

Senator FERGUSON. Could speed have anything to do with that?

Mr. WHITNEY. Yes; a great deal to do with it because the higher the speed, the more heat you generate.

Senator FERGUSON. Yes; but the speed is much lower now than it had been in previous years, when you are comparing cotton to rayon.

Mr. WHITNEY. The speed is less, sir?

Senator FERGUSON. Isn't it, on busses? Isn't there a limit on busses?

Mr. WHITNEY. In the intercity bus lines, as I understand it, their schedules are being maintained and I ran from—I have made three or four trips during the past summer on intercity busses and they go just as fast as usual.

Senator FERGUSON. Did you get the speeds in these tests when you talked about the fatal accidents in cotton and the lack of accidents in rayon, did you consider the speed?

Mr. WHITNEY. Yes, sir; the speeds of the bus operators; they told me personally in conversation that their speeds were lower with cotton cords and they wouldn't dare run at the same speeds that they run with rayon cords; they were very definite about that, and they have all stated, at least several of them have stated, that they would have to reduce if they had to use cotton cords on their busses, even with natural rubber that they would have to reduce their load by 30 percent. In other words, take only the seated passengers, no standing passengers. Now these seem to be to me quite concrete, definite engineering facts, so I was really very curious to know what some of the fundamental reasons were for these things, what was the difference between cotton and rayon, what was the difference between synthetic rubber and the natural rubber, so I got technicians of four of the large and four of the small tire companies to assemble for me, all of their laboratory data, technical data.

I want to cite you just a few things, and you will see what the problem is. Now the thicker the tire the hotter it runs. This is true irrespective of how the tire is made or what type of rubber or cord construction is used. Now that is relative. I mean if it is made of one construction it is that much thicker and it is going to run proportionately hotter all the way through, irrespective of how you make it. The temperature of a tire when operating at 40 miles per hour increases 5 degrees Fahrenheit per .03" ($\frac{1}{32}$ of an inch) of thickness; accordingly a 7.50 20/10-ply cotton cord tire, which is 1.315" thick, will run 28 degrees hotter than an 8-ply rayon cord tire, which is 1.147 inches thick. Those are just plain facts that you can't get away from. Tires of the same thickness, constructed with the same gauge of cord, cotton or rayon; but made of G. R. S. synthetic compounds will run under normal operating conditions, that is from 25 to 45 miles an hour, 30 to 50 degrees hotter than tires made of natural crude rubber.

From such information as I have been able to obtain——

Senator STEWART (interposing). I didn't get that last statement.

Mr. WHITNEY. Thirty to 50 degrees hotter, a synthetic rubber tire runs 30 to 50 degrees hotter; that is the 70 to 90 percent synthetic rubber tire runs 30 to 50 degrees hotter than a natural rubber tire.

Senator STEWART. At what speed?

Mr. WHITNEY. Twenty-five to 45 miles an hour.

Senator STEWART. Even though it has rayon cord in it?

Mr. WHITNEY. Irrespective. Now this is point one; it runs hotter if it is thicker; point two, if it is made of synthetic compounds it runs hotter than if it is made of natural rubber.

Senator STEWART. Is that true, regardless of what sort of cord is in the make-up of the tire?

Mr. WHITNEY. Yes, sir; yes, sir.

Senator STEWART. Does it run any hotter with cotton cord than with rayon cord?

Mr. WHITNEY. It does, sir.

Senator STEWART. What would be the difference?

Mr. WHITNEY. Tires made with cotton cord construction run hotter than tires made of rayon cord construction.

Senator STEWART. How much?

Mr. WHITNEY. Even though the rubber content and size——

Senator FERGUSON. How much?

Mr. WHITNEY. Ten degrees.

Senator STEWART. That would be 40° hotter, then?

Mr. WHITNEY. If you add all of these?

Senator STEWART. I mean merely adding 10 to 30 would mean 40° hotter.

Mr. WHITNEY. If we take these figures on a 7.50/20 size only, 10-ply cotton, versus 8-ply rayon, you start out with 28° hotter, then, we will say, for this size, and this is for convoy trucks run at high speed; we say 40°, they will run 40° hotter. That would be 68°. Then if we have rayon cord it will run still 10° hotter than rayon, and there is 78° difference in the running temperature of those two tires, and that is what happens.

Senator BANKHEAD. Are you using figures you got from the U. S. Rubber Co.?

Mr. WHITNEY. No, sir; these are made by all the laboratories, compiled and collected together, and I have gone over them all very carefully with them the tire company technologists and I believe that they are as accurate and honestly gotten up and compiled as any figures I have worked with. Now rayon cord retains its tensile strength better than cotton cord at elevated running temperatures. A great number of independent laboratory tests show this to be true. In this respect, rayon cord is somewhat analogous to spring steel versus soft steel. In other words, spring steel, which has no elongation or reduction of area, or very small, will stand a reversal of stress a great many times, whereas the soft steel, which has high elongation, will only stand a reversal of stress a few times.

Finally, the physical properties of rayon strands are much more uniform than cotton; they are from two to three times more uniform and building cotton cord for a tire is like building cable or a suspension bridge; you must have every strand in that cable of uniform properties, as nearly as possible or you get failures like the Jamestown and Detroit bridges, and here with this rayon, science has taken nature's fibers, either cotton or wood, and made a uniform viscous fiber, eliminating all the natural defects of nature in cotton, and this uniformity is two to three times greater. Uniformity explains a great deal.

I bring these things out to explain the fundamental reasons why rayon is superior to cotton: its greater resistance to repeated flexing at high temperatures, and its great uniformity of structure. Now you would expect the results from these tests to be about the same as the laboratory tests. You wanted me to get to these tests, Mr. Halley, these more recent tests.

Mr. HALLEY. I think Senator Truman asked you to do that.

The CHAIRMAN. I was anxious to get the results of those most recent tests.

Mr. WHITNEY. Mr. Senator, these last three tests were run primarily to determine how they would make the best cotton cord tire in the 7.50-20 and 9.00-16 sizes. 844 cotton cord tires and 241 rayon

cord tires were involved in these tests. There were the 8-ply cotton, 8-ply cotton with 2 cap plies.

Senator STEWART. What?

Mr. WHITNEY. Two cap plies, just over the top, the plies don't go down in the bead; and 8-ply rayon. This is dated 20th of September and is a compilation. I went over these up-to-date compilations last night and checked a lot of these figures and they are quite correct and they show, giving 8-ply cotton, using it as 100 percent on the military course at Normoyle, cotton 8-ply and 2 cap plies, 116 percent; cotton 10-ply, 142 percent; rayon 8-ply, 155 percent. You get that much more service out of them.

Senator STEWART. Are you talking about the heat test or impact test?

Mr. WHITNEY. That is the military service test at Normoyle over hot roads, rocks, everything.

Senator STEWART. I thought Normoyle was the field where the test was made for impact?

Mr. WHITNEY. That is right, El Centro, Calif., for the tests over the hot roads.

Senator STEWART. El Centro is in the desert; that would naturally be the heat test.

Mr. WHITNEY. Yes, sir. Now there the 8-ply cotton, is 100, 8-ply cotton plus 2 cap plies, still only 100 because the thicker the tire with the heat the more trouble they have.

Senator STEWART. Now you are reading, then, from the tests at Normoyle, Tex?

Mr. WHITNEY. Normoyle, 8-ply cotton, 100; 8-ply cotton with 2 cap plies, 116. Cotton 10-ply, 142; rayon 8-ply, 155. Now we will go to El Centro, the heat course in the desert. Cotton, 8-ply, 100; cotton 8-ply plus 2 cap plies, still 100; cotton, 10-ply, 110; rayon 8-ply, 124. Now one case is 25, the other 26 percent, better; 24, 26, average of 25 percent over-all improvement on the rayon would mean that if we had rayon available, or a cotton cord as good as rayon to make these tires 8-ply, we would have to make 25 percent less tires.

Senator FERGUSON. Mr. Whitney, does it take more natural rubber to make a tire with cotton cord, or with rayon, or is there any difference?

Mr. WHITNEY. It does, sir; it takes about a little more than 10, about 15 percent, more.

Senator FERGUSON. What about synthetic?

Mr. WHITNEY. The same thing is true, but the proportion of natural rubber to synthetic rubber used in tires on small trucks and passenger cars, the percentage of natural rubber is 3 percent of the total rubber used in the construction of the passenger-car tires.

Senator FERGUSON. Now, was it the same percentage in the rayon cords as in the cotton cords on these tests?

Mr. WHITNEY. Yes, sir; relatively the same, yes; but there were a great many different makes here in these tests. There is an average. One very, very interesting thing to me in this last test is that here was a certain tire maker who telegraphed you or us when this controversy was up about a year ago. He telegraphed on August 31, 1942, this:

We suggest that you consider the necessity for increased rayon production in light of very favorable results on low-gage cotton cord which will equal and

even better rubber-saving possible by use of rayon cord which has proven its performance under Army tests in Texas. Strategic materials for increased rayon production as well as equipment for treating rayon in tire plants not warranted till tests now running and those ready for test by the major companies in the industry are completed.

Results of tests already made by the Army with low-gage cotton cord and that which is now in progress by the major companies, etc.,—

and ends up with—

Within the next few months low-gage cotton cord will have proven its facility and provide both rubber-saving either of crude or synthetic and performance of both obviating the necessity for rayon production increase.

(The telegram referred to was marked "Exhibit No. 905" and is included in the appendix on p. 8899.)

Mr. WHITNEY. That same company in a recent test—

Senator FERGUSON. Who signed the telegram?

Mr. WHITNEY. I would rather not give the company's name, sir. That same company, their rayon 8-ply tires (they preferred to make the same thickness, and made them with 2-cap plys) versus their two best types of cotton; their rayons run from two to three hundred percent better than their cotton tires which they stated a year ago were going to be better.

Senator FERGUSON. Now, you are talking about the last?

Mr. WHITNEY. That is the last test. This test started in August.

The CHAIRMAN. For the benefit—

Mr. WHITNEY. Within the last 3 months.

The CHAIRMAN. For the benefit of the committee and off the record, tell us the name of that company.

Mr. WHITNEY. (Off the record.)

Mr. HALLEY. With respect to the time element, with respect to this last test, is it not a fact that as of the time when this committee submitted its report on the subject to the Senate that there were no cotton tires being run in the larger-size tests?

Mr. WHITNEY. Oh, no, sir.

Mr. HALLEY. In the larger tires?

Mr. WHITNEY. In 9.00 20's the industry and rubber director's tests were running 9.00 20's.

Mr. HALLEY. They were subsequent to the committee's report; were they not?

Mr. WHITNEY. Yes, sir.

Mr. HALLEY. But as of the test being run by the Government at the time this committee submitted its report?

Mr. WHITNEY. I think you are quite right. I don't think there were any; they were experimenting and building tires.

Mr. HALLEY. Just were not testing cotton in the larger sizes?

Mr. WHITNEY. Just trying to find out how to build a tire.

Mr. HALLEY. And then when they went into the tests to which you now refer—

Mr. WHITNEY. They did—now the industry and Government at both Phoenix and San Antonio have their results right up to September 20, which I am submitting to you here, and from those tests it would look as though the best synthetic rubber tire that we can build, using a rayon cord, will only last half as long as a natural rubber tire; the best tire we can build with cotton will only last less than one-fourth as long, as natural rubber with rayon.

Mr. HALLEY. And again this is the result of recent tests?

Mr. WHITNEY. These are all recent tests, conducted within the last 3 to 4 months.

Mr. HALLEY. And these tests, like your own report, were undertaken as a result of this committee's statement that up to the time of its report no tests had been made which would be of a conclusive nature?

Mr. WHITNEY. I feel that—yes, definitely. There were too many variables, there were too many types of rubber, too many types of construction. Now they are getting them boiled down to—the tire companies are really working together, everything that one discovers is given to the others and the very best method of mixing the rubber, applying it to the tire, the best place to use the natural rubber, the best place to use the synthetic rubber, I believe will be determined and I think we are going to have the best synthetic tire in the world. I don't think there is any question about it.

Mr. HALLEY. And is it your opinion that these recent tests are of the standard of a type that this committee asked be made in its report?¹

Mr. WHITNEY. I do, sir, I do; and I am firmly of the opinion that rayon must be used in all aircraft tires to save weight alone, and to avoid blow-outs; must use it in fuel cells, and we must use it in tires 8.00-25 10-ply and larger, for heavy duty on the civilian bus and truck inter-city work, or for the Army. In the intermediate and smaller tires there is no possibility of rayon being available for them; we are going to make them out of the best cotton we can; United States Rubber Co. is working on cotton and it is interesting to note that U. S. Rubber Co. has made consistently the best cotton cord tire of any company of which I know, looking over these tests.

Mr. HALLEY. Those cotton cord tires on the intermediate size tires will be perfectly satisfactory tires, will they not?

Mr. WHITNEY. I think they will be satisfactory. Now it comes down to a question of tire making equipment and of man-hours. If we make a 10-ply, 7.50-20, 10-ply, we would have to groove out all of our existing molds, and because it takes about 20 percent longer to build them we would have to have 20 percent more molds than if we could build them 8-ply. We can use the same mold for the 8-ply, plus the 2-cap plys, and that is why we are going into that construction.

Mr. HALLEY. And we will get a tire you feel will serve the armed services well?

Mr. WHITNEY. I do.

Mr. HALLEY. Made of cotton in the intermediate sizes?

Mr. WHITNEY. I do, and I am in high hopes that either mercerized or a new process of U. S. Rubber is going to improve the cotton cord, and I hope we are going to get a cotton cord that will make these 8-ply, because I know they are going to be better with 8-ply than they would be if they were not.

Senator CONNALLY. About the time the committee made this report, based on these Army tests, you said this Captain Robson was very fine; you know him; a very fine gentleman?

Mr. WHITNEY. I like him.

Senator CONNALLY. Knows his business, does he?

Mr. WHITNEY. I think he does, sir.

¹ Senate Report No. 10, Part 11; 78th Cong., 1st Sess.

Senator CONNALLY. Now at that time he made the report that so far as the natural rubber was concerned, the standard gage tire made from cotton was superior to that made with the rayon; is that true?

Mr. WHITNEY. His tests showed that, sir.

Senator CONNALLY. Did he make other tests later on—much later on?

Mr. WHITNEY. No, sir.

Senator CONNALLY. So far as the record goes, this test is the final test that Captain Robson made?

Mr. WHITNEY. That is the only one they made on natural rubber.

Senator CONNALLY. Natural rubber, and—

Mr. WHITNEY. Rayon versus cotton.

Senator CONNALLY. So that so far as we know here officially, the last test made as to these tires was that cotton was superior; is that right?

Mr. WHITNEY. Yes, sir; that was on a comparatively small number of tires, and when you take it literally—

Senator CONNALLY. The Army was doing it; it was an official test, wasn't it?

Mr. WHITNEY. It was an official test to give them a trend, to give them a trend how should they move, what should they do.

Senator CONNALLY. What?

Mr. WHITNEY. It was to give them a trend, what should they do, how should they move.

Senator CONNALLY. Those were tests and they gave them a test, and the result was cotton was superior; isn't that right?

Mr. WHITNEY. In that test; yes, sir.

Senator CONNALLY. All right, that test wasn't satisfactory. Then you had to make another one; is that right?

Mr. WHITNEY. No, sir, didn't make any more tests.

Senator CONNALLY. The Army didn't make any additional tests?

Mr. WHITNEY. No object in making any additional test.

Senator CONNALLY. So far as it goes here the last test was that cotton was superior; is that right?

Mr. WHITNEY. In natural rubber in that particular test.

Senator CONNALLY. Now in the matter of these investments—45,000,000 for new facilities for rayon—you say there are no additional facilities planned for the making of cotton cord?

Mr. WHITNEY. Yes, sir; we have to provide additional twisting facilities and quite a few additional facilities for cotton.

Senator CONNALLY. That will be a simple matter we ought to be able to do?

Mr. WHITNEY. Yes, sir.

Senator CONNALLY. Without any great outlay. How much is planned for that? How much Government money is planned?

Mr. WHITNEY. I don't know the total cost, sir.

Senator CONNALLY. What?

Mr. WHITNEY. I don't know the total cost.

Senator CONNALLY. What companies were the ones that were going to get that money? Do you know?

Mr. WHITNEY. I don't know that.

Senator CONNALLY. You seem to know pretty well the names of these rayon people. How about the cotton folks?

Mr. WHITNEY. The cotton folks, the mills?

Senator CONNALLY. Do you know them, too?

Mr. WHITNEY. Yes, sir.

Senator CONNALLY. What are they?

Mr. WHITNEY. Well, the biggest producers.

Senator CONNALLY. The ones that are going to get these additional facilities now of Government money, the cotton people.

Mr. WHITNEY. I don't know which mills they are going into; into the tire cord mills where they twist tire cord, of course.

Senator MAYBANK. I was going to ask the gentleman familiar with statistics a certain question that had nothing to do with cotton. You stated awhile ago about the manpower shortage in Georgia and the necessity to build homes.

Mr. JACOBSON. That is generally true throughout the United States.

Senator MAYBANK. Are you familiar with the War Manpower Commission's report by Commissioner McNutt?

Mr. JACOBSON. I am not, sir.

Senator MAYBANK. Well, I wish you would look into it, for this reason, and for the war effort solely. He says there, and I have told Mr. Nelson on innumerable occasions, there is quite a surplus in the Piedmont section of South Carolina where the largest textile mills are, and there has never been any effort made to utilize the surplus labor there. I have complained on several occasions and put a piece in the Congressional Record, and as I understand it the Defense Plant Corporation allots out these improvements and you gentlemen tell them where to go.

Mr. JACOBSON. That is precisely the information we want. I sat in on a meeting of the 8 or 10 or 12 cotton-cord manufacturers, and each one of them there was saying they wish they only had some more labor, that we could turn out more, and if we can find it, it will be swell.

Senator MAYBANK. I may say it is the largest cotton manufacturing section of this country, in North and South Carolina, right there together, and South Carolina is a little larger, and you can see the report in which Mr. McNutt stated that in that section there was a surplus of labor, and you can find the report; it is skilled labor. I thought it might help the effort.

Mr. JACOBSON. Thank you, very much.

Senator MAYBANK. It is in Greenville, S. C., and Spartanville section.

Mr. JACOBSON. Could I say one general thing that I think is warranted at this stage? The interest which your committee has focused on this entire problem has, we have felt, added greatly to the amount of knowledge that the industry and the Government has on use of cotton and rayon cord, and out of it we should get an appreciably better tire than we had before. I sincerely believe that that is the truth—the amount of research and development work that you people have focused or fostered as a result of your interest in this has been tremendous. We ought to have better tires as a result.

Mr. WHITNEY. I am sure of it.

The CHAIRMAN. Mr. Whitney, you don't think it would be proper or safe to put this complete report of yours in the record?

Mr. WHITNEY. Well, I don't think so because all those technical details are there about fuel cells.

The CHAIRMAN. Could you eliminate the part that might be useful to the enemy and put in the balance?

Mr. WHITNEY. Yes, sir; I would be glad to do that.

The CHAIRMAN. Will you do that?

(The report referred to was marked "Exhibit No. 906" and is included in the appendix on pp. 8900-8937.)

Mr. WHITNEY. You have a copy of this telegram; I showed it to you at luncheon the other day. That is from the tire companies, all supporting who had before been against; you remember testified a year ago very much against rayon?

The CHAIRMAN. I will put this in the record.

(The telegram referred to was marked "Exhibit No. 907" and is included in the appendix on p. 8937.)

Mr. FULTON. The test which turned out to have been at least equal for cotton, according to the Army test, 5 percent superior, I was quite interested in the question as to whether you could yet make synthetic-rubber tires which do have the mileage of the natural-rubber tire in these big sizes. I understand you cannot.

Mr. WHITNEY. Not yet, sir. The best one is half as good.

Mr. FULTON. Now, the reason that I say that is that you use 30 percent of natural rubber in the synthetic tire?

Mr. WHITNEY. In the big ones.

Mr. FULTON. Yes.

Mr. WHITNEY. That is correct, sir.

Mr. FULTON. So that with the present mileage you are getting out of your synthetic tires you really are using about as much natural rubber by making more tires as you would if you made natural rubber tires and got the greater mileage, but you hope through these experiments that are going on to learn how to make them, and do that rather shortly, a good synthetic tire?

Mr. WHITNEY. We do.

Mr. FULTON. The fact is that today, whether you are talking about rayon tires or cotton tires, in the synthetic, we don't really yet know, even our best companies, how to make the best tires out of synthetic rubber?

Mr. WHITNEY. I don't think so. Some of these have gone 16,000 miles.

Mr. FULTON. That is the conclusion I was merely trying to find on that, that we really have to do a lot more than these so-called synthetic tests; we have to go in and make tires and find out how they work, and the final judgment on this will be what happens in the next 2 years, rather than what has happened to date.

Mr. WHITNEY. Yes, sir.

Mr. FULTON. And the tests made before the committee's report were merely other tests and you couldn't draw any conclusion?

Mr. WHITNEY. Nothing but a trend.

Mr. FULTON. And even on that, when you look at the variables, they had so many variables in there that the tests were, so to speak, worthless—some of those tests?

Mr. WHITNEY. But they learned an awful lot; they weren't worthless because they learned how to build tires.

Mr. FULTON. But they were worthless as far as determining whether they showed superiority or inferiority because they had variables other than cord?

Mr. WHITNEY. That is true, but if you take the average of averages, it gives you a trend, and you can't get away from it.

Mr. FULTON. That trend has been one established more recently in the more recent tests?

Mr. WHITNEY. Yes, and the tires are better with both cotton and rayon, with synthetic, they are getting better all the time, and I want to echo what Mr. Jacobson said: As a result of your interest a great deal of advancement has taken place.

The CHAIRMAN. The committee will stand recessed until called by the chairman.

(Whereupon, at 12:15 p. m., the committee recessed.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

THURSDAY, OCTOBER 23, 1943

UNITED STATES SENATE,
SPECIAL COMMITTEE INVESTIGATING
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:40 a. m., pursuant to the call of the chairman, in room 318, Senate Office Building, Washington, D. C., Senator Harry S. Truman, presiding.

Present: Senators Harry S. Truman (chairman), Tom Connally, Mon C. Wallgren, Homer Ferguson, Joseph H. Ball, and Carl A. Hatch.

Present also: Senator Scott W. Lucas, Illinois; Representative Hatton W. Sumners, Texas; and Hugh Fulton, chief counsel to the committee.

The CHAIRMAN. The committee will come to order. I want to read a short statement for the record before we start. For more than a year the committee has been concerned at the lack of efficiency in the utilization of employees in the aircraft plants, as well as in shipping and certain other war industries. Some inefficiency must be expected, but as time passes these war industries should become more efficient.

With the increasing severity of the manpower shortage and the increases in the size of the armed services, we were faced with a choice of forcing more efficiency into our primary war industries or having to cut back or cancel programs for the construction of desirable but less necessary war goods and essential civilian goods. For these reasons, the committee has privately been insisting that many plants turn in a better record and has been alarmed at the tendency of the procurement agencies to assume that inefficiency was a necessary evil, and that the only way to treat the matter was to declare various cities to be critical labor areas and prevent the issuance of further contracts in such areas.

Dallas, Tex., presents a typical situation in which the area was declared to be critical, solely because the North American Aviation plant near Dallas said it would require many thousands of additional employees. The committee conducted a private investigation at Dallas through its subcommittee on aviation, which took more than a thousand pages of testimony from approximately 250 witnesses, and turned the record over to Mr. Charles E. Wilson, Vice Chairman of the War Production Board and rightly regarded as one of the Nation's foremost production experts.

Mr. Wilson has informed the committee that the estimated manpower requirements of the North American Aviation plant at Dallas had been reduced by approximately 10,000 workers and that as a con-

sequence it will need to hire only a minimum of new employees until January 1944, principally for replacements. He has also stated that even after that time the build-up to the ultimate stabilized manpower load in the North American Aviation plant will be on a gradual scale based on new schedules, and that he has informed Mr. Paul McNutt, Chairman of the War Manpower Commission, of these conclusions, because, and I quote Mr. Wilson, of the "effect of same on determination Dallas as No. 1 area and probability War Manpower Commission may desire immediate change this status."

Governor, go ahead and discuss this situation for us.

TESTIMONY OF PAUL V. McNUTT, DIRECTOR, WAR MANPOWER COMMISSION

DETERMINATION OF DALLAS, TEX., AS CRITICAL LABOR AREA BY W. M. C.

Governor McNUTT. I came to answer any question you wish to put.

The CHAIRMAN. Senator Wallgren, you were in charge of the subcommittee.

Senator WALLGREN. The thing that bothers me in the whole matter of Dallas is how did you determine the boundary lines for your critical area in Dallas? The reason I ask that question is the plant lies between Dallas and Fort Worth. The Tarrant County boundary line is closer to the plant than it is to Dallas. A great many of these workers employed at the Dallas plant live outside of Dallas County and over in the Fort Worth-Tarrant County area. How did you arrive at those boundaries, because all over the United States today men are driving 60 miles to go to work in airplane plants and these people who live just across the boundary, the county line, as I say, great numbers of them are today being employed in this Dallas plant of North American.

Yet you leave this Tarrant County outside of the critical area and you put Dallas County in this critical area.

Governor McNUTT. The determination of the geographic limits of the Dallas labor market area is based on an area in which there is a concentration of labor supply available to the center or closely contiguous centers of industrial activity, and although more than 80 percent of the population of Dallas County is situated in the city of Dallas, workers in all parts of the county are within reasonable commuting distance to the industrial establishments located within the city and nearby towns.

Senator WALLGREN. Now at that point I think, without going any further, I would like to ask you this question. Are you going to pay any attention to Mr. Wilson's conclusions, that they will need 10,000 less men than at first anticipated?

Governor McNUTT. May I answer your question? I want to put this all on the record, since you are interested in having the reason for the designation of this as an area. May I complete the answer?

Senator WALLGREN. Surely.

Governor McNUTT. I may also state, and I will put the telegram in when the time comes. I received Mr. Wilson's telegram at 8:32 this morning.¹ I don't know what time the committee received the telegram.

¹ See Exhibit No. 908, *infra*, pp. 8553-8554.

The CHAIRMAN. About the same time.

Governor McNUTT. Therefore the Dallas labor market area is defined as the county of Dallas. Within this county there are several closely situated centers of industrial activity consisting of the city of Dallas, Grand Prairie, Garland, and several of the smaller towns. Designations of boundaries of the Dallas labor market area, as well as labor market areas throughout the country, are made by the State or the area offices of the War Manpower Commission, subject to the approval of the regional and headquarters offices.

Now, as you have pointed out, Senator, in close proximity to the Dallas labor market is the Fort Worth area, another center of expanding war production activity. The Fort Worth area consists of Tarrant County immediately west of Dallas County and small portions of Johnson, Wise, and Parker Counties. These two areas, until recently, were considered as one labor market area. The distance between the principal cities of Fort Worth and Dallas is only 32 miles.

Because of the nearness of the two cities much intermingling of the labor supply in both counties had taken place. During the last 2 years, however, two distinct labor market areas emerged, due primarily to the concentration of the aircraft industry in each county. In Dallas County, as employment increased at North American Corporation and other aircraft companies, labor supply tended to be drawn to these concerns. In Tarrant County Consolidated Vultee, situated west of Fort Worth, became the principal place of employment, attracting the labor supply in that county.

By the beginning of 1943 the region 10 office of the War Manpower Commission reported that the Dallas area was not providing large numbers of workers to Fort Worth, and also that the Fort Worth area was not providing large numbers of workers to the Dallas labor market. In March 1943 the two areas were defined and were classified separately. While some intermingling of the labor supply in each county still takes place, the extent of this back and forth commutation of workers is too small to affect the estimates of available labor supply in each area.

The number of commuting workers from each county probably offsets the other. Now there is a secondary Dallas labor market area. In region 10 of the War Manpower Commission each labor market area has attached to it an area designated as a secondary labor market. This development arises in region 10 as a result of the exceptionally great distances which must be administered by the U. S. Employment Service of the War Manpower Commission. On the whole, labor market areas designated as secondary consist of predominantly agricultural communities. For example, the local office in Dallas is administratively responsible for Employment Service operations not only in Dallas County but in the counties of Denton, Kaufman, and Rockwell.

These three counties make up the secondary labor market area for the Dallas local U. S. E. S. office and since these latter counties consist primarily of agricultural activities, their labor supply is not considered available to industrial employers in the county of Dallas. Now this is particularly true since the passage of legislation deferring large numbers of farm operators and hired workers on the basis of their continuing availability for work in agriculture.

Senator WALLGREN. That concludes your statement?

Governor McNUTT. That concludes my answer to your question.

Senator WALLGREN. That is hardly an answer because we still don't know why you choose those boundary lines of Tarrant County and the testimony out there given by one of your representatives was to the effect that these boundaries had been arranged during the period that we had the W. P. A. and areas or regions were set up with those boundary lines, and that you followed the same boundary lines at that time when you took over, and used those same boundary lines to determine the boundary lines of critical areas. If that is your reason, it still doesn't, to my way of thinking, take into consideration all the available labor that could be used at the North American plant.

Governor McNUTT. As I pointed out, in March of this year they determined there was very little intermingling and that would offset—

Senator FERGUSON. Could you give us the figures you had in March of this year to determine—we found no such figures in your office in Dallas.

Governor McNUTT. Of course those recommendations, Senator, are made by our area and regional offices.

Senator FERGUSON. I assume before you take a recommendation that you want to know upon what the recommendation is based, so we would like to have the figures of last March upon which this division was made. We found no such figures, and we found no one in your office with knowledge that such figures existed. In fact, we found no one knowing how many people were employed in the North American plant that lived in that Fort Worth territory or Tarrant County. We found no one knowing what came out of the Dallas district, and that is the thing that I think prompted the Senator's question.

Senator WALLGREN. There is considerable housing just across the boundary line, and those people are being employed at the North American. In other words, it appears that Dallas is being charged up with everything being used over in Tarrant County, as well as the other outlying counties, but Tarrant County especially is outside of your critical area.

Governor McNUTT. The division was made in March and it was made upon the recommendation of our local office.

Senator FERGUSON. Did you have any figures personally at that time when it was made?

Governor McNUTT. I didn't have any figures, no, of course not; I will take the recommendation of our people in the field upon whom I depend to operate.

Senator FERGUSON. Don't you require figures to come in, or some data to come in with these recommendations, seeing whether or not in your judgment, or someone superior at least to the local man, that their judgment is good?

Governor McNUTT. I have delegated as much authority as I know how in connection with the War Manpower Commission activities. We are dealing with a series of local problems. I want to give the man in the field the right to make the decision and get the job done right then.

Senator FERGUSON. But isn't there some method of checking whether or not his decision is the proper decision?

Governor McNUTT. If there are objections to it, of course a check is made, but we have lots of these areas.

Senator FERGUSON. Have you ever had any objection that this division down here of Dallas and Fort Worth was an arbitrary and not a reasonable one?

Governor McNUTT. I have not, sir. Nothing came to my attention up until the last few days, but this was done in March.

LACK OF EFFICIENCY IN UTILIZATION OF MANPOWER BY NORTH AMERICAN AVIATION, INC.

Senator FERGUSON. Governor, I don't think you answered the Senator's question; at least, I didn't take it as an answer, as to whether or not you were going to carry out the suggestion of Mr. Wilson.

Governor McNUTT. I wasn't given an opportunity; there were two questions put, and the second one was put before I answered the first.

Senator FERGUSON. I didn't understand this was an answer to the first one. Could you answer that?

Senator WALLGREN. The reason for that, Mr. McNutt, is the second question is the most important.

Governor McNUTT. And that is what you are after.

Senator WALLGREN. That is right, and Wilson has made the recommendation the plant be cut 10,000 men. Is that going to change your opinion?

Governor McNUTT. Certainly it will change my opinion. Now let me answer your question. This classification of Dallas is group 1 area. It was made on October 1 on the basis of information before the War Manpower Commission at that time. This information amply justified such classification, and in that connection it is not only from the employers, but I should like to put on the record the statement of General Meyers, the Deputy Assistant Chief of the Air Staff, made to John Blandford, in which he sets out the estimated employment that plants A and B of North American make as follows: As of the end of August, 30,000; September, 34,500; October, 39,000; November, 43,500; December, 47,150; thereafter, 47,150.

Now mind you, there are these two significant paragraphs in this statement of General Meyers. The employment schedule set forth above is required to meet the airplane schedules for these plants. We have checked these figures independently on the basis of production indices and verified that this employment is required to meet the schedules under conditions of efficient operation and labor utilization.

We have verified that this employment is practical and suitable for these plants according to the methods of labor utilization now being carried on there and being proposed for future operation.

I simply wanted to put that in the record.

Senator FERGUSON. May I interrupt? Who is responsible in the Government? To preface this question I want to use the chairman's statement. I think that is one of the most important statements that has been issued by this committee, the efficiency in the production of airplanes particularly. Now, who in the Government is

responsible for looking into the question of the efficiency of labor in the plants in these respective areas?

Governor McNUTT. The War Manpower Commission with the procurement agencies is responsible.

The CHAIRMAN. That is the Air Corps would be responsible in this case?

Governor McNUTT. Certainly. But we are there to help. We have utilization people. We sent one into Bell Aircraft at their invitation. If a plant is producing on Government contract we have no authority to send anybody in without clearance with the appropriate procurement agency. A procurement agency can send somebody in.

Senator FERGUSON. How do you mean, you have no authority? Your office is under a directive by the President.

Governor McNUTT. That is right.

Senator FERGUSON. So you would have that authority if the President would give it to you; is that true?

Governor McNUTT. That is true.

Senator FERGUSON. Now who has he given it to by a directive, to look into the efficiency?

Governor McNUTT. The War Manpower Commission in Executive Orders Nos. 9139 and 9279, but I don't believe that question is necessarily involved here. We certainly have not been given a sufficient staff to make an examination of all these war plants. That is clear to everybody. We have asked for more people. We have more requests now from employers on war work for utilization experts than we can possibly furnish. Now, Senator, I have taken a man who made the Bell examination and did a grand job; everybody admits that. I sent him down, at the invitation of North American, mind you, to go in there and make a similar study of North American.

Senator FERGUSON. That was done before or after putting it in a critical area? That is what the committee wants to know about.

Governor McNUTT. We haven't sufficient help to do that, Senator.

Senator FERGUSON. What facts had you before you at the time you declared this to be a critical area on the efficiency question of the employees in the plant at the time that they made their demand for more employees?

Governor McNUTT. Well, I had evidence of the War Department as to that, but—

Senator FERGUSON. Don't you think that is an important point? Here is what I want to get at, declaring a plant a critical area, or an area a critical area, means two things. That if the industry in that particular area is inefficient at that time it means that we are going to get less goods out of that area for the civilian population; it means that we are going to get less war goods of another kind. Now, don't you think that the principal thing in the set-up is the efficiency of the labor in the particular area at the time?

Governor McNUTT. It is very important; there is no question about it.

Senator FERGUSON. How could you declare it a critical area if you don't know how efficient it is?

Governor McNUTT. For the simple reason that the demand is there for the labor and the pressures are on us, as they are on us from the production agencies to put the labor there, just as they are on us right now for Boeing, Wichita, for example.

Senator FERGUSON. Can't this happen, then? Let's take A area and B plant in that area; B plant being an airplane plant can make a demand for any amount of labor. We will say it is inefficiently using the labor that it has then in the plant. By creating this demand it places the entire area in No. 1 critical. That means that it is the only plant really that can get any labor into that area. Now, by virtue of that demand, without knowing its efficiency, without knowing whether or not this demand is an actual demand to produce those planes, in that whole area we have reduced the output of other war plants because they can't get new contracts; they can't produce on old contracts in excess of what they were producing because they can't get more help. We cut down civilian goods in that area. Don't you think, as the statement of the chairman says, that we should first go into the efficiency and pay more attention to the efficiency than we have been paying in the past, that someone has to be responsible for the efficiency and that should come to you and you should not declare it a critical area until you are satisfied that the people are used efficiently?

Governor McNUTT. I have here in connection with North American the statement of a general officer of the Air Corps, who is presumed to know.

The CHAIRMAN. Governor, I started to say a moment ago that the members of this committee have themselves, I imagine, the subcommittee on aviation and the subcommittee on shipbuilding, visited nearly every plane plant and every ship construction yard in this country, and we have of our own knowledge seen this very situation developing. We have talked of it, we have quarreled about it, we have done everything we know how to call attention of somebody who ought to be responsible, that there is inefficiency in the utilization of labor in all these plants.

Now I personally have just returned from a trip to the area in the Middle West; I was out there on other business but incidentally while I was there I visited plants and camps and everything else in the area, and we know that cases just such as this now exist. Now this plant says they don't need 10,000 men; that they said they did need them and were hoarding labor. They are doing it in every plant in the country and it seems to me that you or somebody ought to assume the responsibility to find out exactly what goes on and to find out exactly whether these people are efficiently utilizing the labor which they are hoarding.

Governor McNUTT. We can, Mr. Chairman, if you will give us the machinery with which to do it.

The CHAIRMAN. For instance, can't you take such able fellows as Wilson of the War Production Board, or this Army outfit itself ought to look into this.

Governor McNUTT. Wilson has never said a word to me about that.

Senator FERGUSON. You do think it would be a good suggestion that it be delegated to Mr. Wilson and that he be responsible for the efficiency, and that come to you as part of your report?

Governor McNUTT. Actually he is not the procurement agency. The contract is made by the Army or Navy.

The CHAIRMAN. But he is an experienced production man and he knows when they are rightly utilizing labor, and I am satisfied that Wilson would go into any plant you would request him to.

Governor McNUTT. He can't be all over this country, with the demands that are made on him. The same thing is true—may I go ahead then, and answer your second question? I will make the statement as to what I am willing to do on this thing and I want to put Mr. Wilson's telegram in the record. Incidentally, I want to point out he doesn't mention utilization; he puts this reduction on two different grounds completely, but I do want to say that we were amply justified; we were justified by reason of the statement of the general officer of the Air Corps, who is supposed to know. We had before us the E. S. 270's. We have to work somewhat on the good faith of the people with whom we deal in this country, Mr. Chairman.

The CHAIRMAN. I know you have, Governor, I appreciate that, but here is the situation. Mr. Wilson himself went down there and made this survey personally and Mr. Wilson is a production man, and when he sent us this telegram we know that he knows what he is talking about. Why can't you have somebody or request somebody—I know anybody would do it in the Government that has the authority to do it—to do just what Wilson has done in all these plants and find out how inefficient they are. Then I think we will find there will be no labor shortage in this country.

Governor McNUTT. Will you let me finish my statement, please?

The CHAIRMAN. We are wrought up on this situation.

Governor McNUTT. The answer to your question, I repeat again, is that I think we were justified. We had the E. S. 270's against which we applied the limiting factors; that is, where an employer did not hire up to what he said he was going to need we applied that limiting factor against him. We know what he said he needed. Now curiously enough—maybe not curiously enough, because they have done a good job—we haven't been more than 2 percent off the country over on these estimates of those hired as against those requested.

Senator WALLGREN. You say you feel you were justified in creating this critical area? The point I am getting at is you are setting a pattern which if you follow it over the rest of the Nation is going to cause us a great deal of trouble, because Fort Worth and Dallas and that immediate vicinity is where you have your densely populated area. That is your densely populated area, taking in both Fort Worth and Dallas. Yet you divide that populated area and leave Fort Worth and Dallas or Tarrant County outside the critical area and make Dallas a critical area.

Now as I said awhile ago, throughout the West people are travelling 60 miles to get to their work, while here people living within this Fort Worth area are a very few miles away from the plant. If you were to do this elsewhere I know it will cause a great deal of trouble. If you are going to make a critical area at all in that why don't you take in Fort Worth, Tarrant County, and all that densely populated area?

Governor McNUTT. It was all one area.

Senator WALLGREN. Not in this instance.

Governor McNUTT. It was all one area and then it was divided, and I stated the reasons for dividing it.

Senator WALLGREN. The reasons for dividing it—

Governor McNUTT. That actually the labor within Dallas County was being furnished to those plants and that if there was any interchange they offset each other.

Senator WALLGREN. Now the testimony we obtained over there in Dallas was just opposite to that because we found that actually just as many people were working in the Dallas plant, North American plant, who lived over in Fort Worth in Tarrant County and outside counties as there were that lived in Dallas County. Why should they be charged up to Dallas County?

Governor McNUTT. You have not given me the privilege of reading the testimony you took. You sent it to Mr. Wilson but didn't send it to me.

Mr. FULTON. You didn't ask for it, in fact didn't indicate much interest in it when we were talking about it.

Governor McNUTT. I don't care for any remarks of that kind Mr. Fulton; I have had a vital interest in all of these things that have gone on here, Mr. Chairman. I think that is entirely unjustified; I would like very much to see the testimony.

The CHAIRMAN. Our record is available any time you want it and if you want it we will be happy to present it to you; it was available.

Governor McNUTT. I should think it would be sent to me, Mr. Chairman, wouldn't you? It was sent to Mr. Wilson.

Mr. FULTON. We had no request from you.

Governor McNUTT. Did you have from Wilson?

Mr. FULTON. Yes.

The CHAIRMAN. We would send it to any Government agency; our records are never closed to anybody in connection with the Government. You will be furnished a copy of it.

Governor McNUTT. May I finish my answer, please? It was the second question put by Senator Wallgren and if you will permit me to finish it, I shall. I, of course, knew that Mr. Wilson was there; I talked to him just before he left. We discussed the whole situation. He was there together with some representatives of the Army Air Forces, War Manpower Commission. They met with the president of the North American Aviation Corporation and his staff. They seem to have reviewed the company's production schedule and the resulting labor requirement. The production schedule, I am informed by wire this morning, received in the office at 8:32 from Mr. Wilson, is being reduced because of material and engine delivery problems, and that this, together with a revision in the estimate of learning time required by new employees, has resulted in a reduction of approximately 10,000 workers from the earlier amounts at peak demand.

Those are the two reasons given in this wire, and I shall put it in the record [reading Exhibit No. 908]:

WASHINGTON, D. C., October 27, 1943.

PAUL V. McNUTT,

War Manpower Commission, Social Security Board,

Washington, D. C.

The following represents conclusions reached with respect to the manpower requirements of North American Aviation, Inc., as a result of our investigation to date. Based on these conclusions it would appear that you may immediately desire change status of Dallas as No. 1 area. If so, will appreciate your wired advices as we have withheld all public announcement thus far, regardless of natural pressure.

The estimated manpower requirements of North American Aviation's Dallas plants have been reduced by approximately 10,000 workers from the previously announced peak-load requirements results from a combination of several factors upon which there is complete agreement between the management of North American Aviation and representatives of the War Production Board.

The War Manpower Commission and the United States Army Air Forces, the Aircraft Production Board, on which are represented the air services and the War Production Board, must continually revise, increase, or reduce schedules on the basis of materials and fabricated units, such as engines and instruments, available for aircraft production. Realistic rescheduling of future production by the Aircraft Production Board, taking into full consideration actual requirements of the air services. The over-all availability and flow of war materials and ability to supply engines and other items to the aircraft manufacturer is reflected in new schedules which have just been released to aircraft manufacturers. The net effect in North American Aviation's case is a reduction of 4,000 men and women from previously stated peak-labor requirements for the Dallas plant.

The War Production Board, the War Manpower Commission, and Army Air Forces officials have carefully studied the current operations of the plants and it has been agreed by the representatives of these agencies and the North American management that on the basis of existing efficiency levels the efficiency factor used in calculating the manpower requirements during the period of rapid build-up in personnel was approximately 12½ percent too conservative.

In brief, the efficiency level of the rapidly expanding organization has bettered the advance requirements upon which the ultimate peak labor demand was based. This recalculation resulted in a further reduction of peak labor requirements, by approximately 6,000 workers. As a result of these two reductions in requirements North American will need to hire only a minimum of new employees until January 1944, principally for replacements, and after that time the build-up to the ultimate stabilized manpower load in the Dallas plants will be on a gradual scale based upon the new schedules.

C. E. WILSON.

I should like to emphasize in the light of the discussion concerning utilization that there isn't anything in this wire of Mr. Wilson's which indicates that the reduction in the requirements is being made because of utilization factor. Now the information given to me in effect establishes a ceiling.

(The telegram referred to was marked "Exhibit No. 908" and appears in full in the text on pp. 8553-8554.)

The CHAIRMAN. He says very plainly in this wire to us that part of it was due to inefficiency.

Mr. FULTON. I think, Mr. McNutt, to quote his telegram, North American will need to hire—

Governor McNUTT. Will you let me answer the question, because this is the wire I received; this is the only information I have. Then let me hear the other one, but I want to put this wire in the record.

Senator HATCH. Your reference to utilization is from the information you obtained in your wire from Mr. Wilson?

Governor McNUTT. Mr. Wilson did not mention utilization. Now, the information given me in effect establishes a ceiling of about 40,000 workers at this North American plant. That is a ceiling. If they want to establish it I will respect that ceiling; it doesn't make any difference. Heavens, the fewer critical areas we have in this country the happier I am. Our troubles diminish with numbers of critical areas.

North American's employment was 37,800 as of last Monday. Now on a basis of this information the labor demand and supply relationship in Dallas is substantially in balance and a reclassification from group 1 to 2 is thus permissible. I shall direct it on the basis of this and it will remain in effect as long as that relationship continues. I should like to add that an effective local community manpower program is now in operation in Dallas and that the efforts of the local organization, supported by the citizens of the community and indi-

cated by several wires received yesterday, and by the Management-Labor Committee, is making a real contribution toward the solution of the manpower problem.

Now the classification in group 1 is not a punitive device at all; we take no punitive action. It is designed to call the attention of the community to the character of the manpower problem to stop any deterioration of that situation and for the record, if I may put this in, I should like to have the telegram back as I have no copy.

The CHAIRMAN. The reporter will send it back to you as soon as we are through with it, and we will place the one we received in the record.

GRAND PRAIRIE, TEX., October 27, 1943.

Senator HARRY TRUMAN,
Senate Office Building, Washington, D. C.:

The following represents conclusions reached as result investigation North American Aviation's Dallas Plant manpower requirements. Have advised Paul McNutt these conclusions because effect of same on determination Dallas as No. 1 area and probability War Manpower Commission may desire immediate change this status.

The estimated manpower requirements of North American Aviation's Dallas plants have been reduced by approximately 10,000 workers from the previously announced peak load. This reduction from the previously announced peak load requirements results from a combination of several factors, upon which there is complete agreement between the management of North American Aviation and representative of the War Production Board, the War Manpower Commission, and the United States Army Air Forces.

The Aircraft Production Board, on which are represented the air services and the War Production Board, must continually revise, increase or reduce schedules on the basis of materials and fabricated units, such as engines and instruments available for aircraft production. Realistic rescheduling of future production by the Aircraft Production Board, taking into full consideration actual requirements of the air services, the over-all availability and flow of war materials, and ability to supply engines and other items to the aircraft manufacturer, is reflected in new schedules which have just been released to aircraft manufacturers. The net effect, in North American Aviation's case, is a reduction of 4,000 men and women from previously stated peak labor requirements for the Dallas plants.

The War Production Board, the War Manpower Commission, and Army Air Forces officials have carefully studied the current operations of the plants, and it has been agreed by the representatives of these agencies and the North American management that on the basis of existing efficiency levels the efficiency factor used in calculating the manpower requirements during the period of rapid build-up in personnel was approximately 12½ percent too conservative. In brief, this efficiency level of the rapidly expanding organization has bettered the advance estimates upon which the ultimate peak labor demand was based. This recalculation resulted in a further reduction of peak labor requirements by approximately 6,000 workers.

As a result of these two reductions in requirements North American will need to hire only a minimum of new employees until January 1944, principally for replacements, and after that time the build-up to the ultimate stabilized manpower load in the Dallas plants will be on a gradual scale based upon the new schedules.

For information you and your committee please be advised continuing investigation various other phases through today and tomorrow. If you desire, other information can be reached through North American Aviation, Inc., Dallas. Regardless natural local pressure, have made no announcement conclusions this for but assuming McNutt immediately changes status of Dallas believe in order to make announcement tomorrow.

C. E. WILSON.

(The telegram referred to was marked "Exhibit No. 909" and appears in full in the text above.)

Senator FERGUSON. I think a very important thing to the committee is that the whole country—why was this evidence not obtained before you placed this in a critical area? You now discover that an investigation by Mr. Wilson and by your organization shows no need for a No. 1 critical area and it can be now changed.

Governor McNUTT. Just a minute.

Senator FERGUSON. I am just trying to get at whether or not we can't get a system so that you can get the facts before you declare a critical area, rather than in this particular case now demonstrated that you get the facts after it has been declared a critical area and the change is to be made.

Governor McNUTT. The two reasons given by Mr. Wilson in his wire are first of all that there are new schedules that have just been released, I quote him, "to aircraft manufacturers."

Senator FERGUSON. Are those new schedules due to the fact that this plant with its efficiency could not possibly produce the schedule that had been given to it? I can't quote figures here, but I would say that the production was one-fifth in the month of August to what the schedules were. Now, isn't it true that if you have schedules—

Governor McNUTT. I think it is closer to one-sixth if you want to know the truth.

Senator FERGUSON. I think you are right, one-sixth. So if we have schedules saying that we are to produce six times what the efficiency of the plant will produce, then why should we declare an area critical on any such figure?

Governor McNUTT. There is no indication in Mr. Wilson's wire that that is the reason for this wire. In the first place there has been a cut-back; he doesn't say why.

Senator WALLGREN. Just couldn't use the men.

Governor McNUTT. He doesn't say why; I let the wire speak for itself.

The CHAIRMAN. They are under no responsibility as to the cost of this labor; they don't care how many they hire; the Federal Government pays for them if they use 2,000 men where they ought to use 500, and what we are trying to get at is to find some way to prevent them from doing that.

Governor McNUTT. Let me answer one other thing.

Mr. Fulton. Might I put into the record what Mr. Wilson did actually say to me when I was instructed to ask him those questions? Mr. Wilson made three points last week after studying the record and after having spent several hours in conference with Mr. Kindelberger, the president of the company. By the record I mean the record and the testimony taken by the subcommittee on aviation in Dallas. Mr. Wilson said first there was no doubt whatever in his mind but what the plant was grossly inefficient. Second, that there was also no doubt but what it could be made more efficient; and, third, that in his opinion until it was made more efficient it couldn't usefully employ more men, except for replacements, and pursuant to the direction of the Chairman, Mr. McNutt, I telephoned you and I believe told you those three points, and I believe you expressed complete agreement with the first two, and stated that you hadn't heard from Mr. Wilson on the third.

Governor McNUTT. I had not; since that time I have talked to Mr. Wilson. It would not be for me to say what Mr. Wilson told you, but it is for me to say what Mr. Wilson told me.

The CHAIRMAN. That is all right.

Governor McNUTT. On the third point he said, "I will make no prediction." He said, "I don't know." On the third point he said, "I do not know."

Mr. FULTON. He does now because in his telegram to us he said, "North American will need to hire only a minimum of new employees until January 1944, principally for replacements, and after that time the build-up to the ultimate stabilized manpower load in the Dallas plants will be on a gradual scale, based upon the new schedules." That is precisely what he told me last Tuesday, except that he didn't give the date January 1944.

Governor McNUTT. He didn't give any date but what he told me was that he did not know until he got down there. As I say, the two reasons that he gives here, first, that there has been a rescheduling, reflected in new schedules which have just been released to aircraft manufacturers; this is not alone for North American plant.

Mr. FULTON. The schedule merely reflects what you expect to produce, the efficiency, and the efficiency of your suppliers.

Governor McNUTT. The other was that the efficiency factor in calculating the manpower requirements during the period of rapid build-up was approximately 12½ percent too conservative. In other words, they are learning faster than they thought they were going to.

Mr. FULTON. Because they now realize they don't have to count on as much waste as they were satisfied in counting on then.

Senator WALLGREN. Isn't it rather common for these plants whenever they obtain a contract to immediately go out and hoard as much labor as they possibly can and hold it?

Governor McNUTT. It has been a constant battle, Senator, and I yield to no one in a desire to get rid of that thing.

Senator HATCH. You said a while ago you had no directive or no authority to go into these plants in the first instance and determine on the efficiency of labor before declaring it a critical area. Would it be helpful if you had such authority?

Governor McNUTT. Certainly, but at the same time giving me the authority would mean that likewise you would have to make it possible for me to make that kind of an investigation.

Senator HATCH. What would that require?

Governor McNUTT. That would require the enlargement of our Bureau of Labor Utilization. We are a service agency now; anyone who wants these services—

Senator WALLGREN. Isn't that a job of the Army and of Mr. Wilson?

Senator FERGUSON. Rather than the service agency.

Senator WALLGREN. Wouldn't that be a duplication of effort there?

Governor McNUTT. I don't think we have duplicated effort.

Senator WALLGREN. Wouldn't you just be doing a job supposed to be done now by the Army and by Mr. Wilson?

Governor McNUTT. You would think if you were making a contract that you would take a look at how it was being performed.

The CHAIRMAN. That is exactly what you would do, and why hasn't the fellow responsible for the procurement in letting this con-

tract looked into this efficiency? That is what he is there for. I am criticizing the fellow responsible for it.

Governor McNUTT. We are continuously driven by the procurement agencies on specific plans for the furnishing of people and at times they have disagreed among themselves as to which had priority. There was an instance like that even yesterday where we were furnishing labor for two plants.

Senator FERGUSON. Governor, isn't this what is wrong? You say that a demand from the company for labor—if they don't hire the number of men that they told you, then that is held against them. All right. Now a plant is on a cost-plus contract; they make a demand. In fact this North American made a demand.

Governor McNUTT. They made a demand on us for over 18,000 and we cut it to 10,000.

Senator FERGUSON. And you took their demand. Now isn't there every reason under the sun why they will hire not only their demand because they are not paying for it, but they will hire more than their demand so they will—in this case here we find—get fees upon the cost of the production?

Governor McNUTT. I suppose that is a perfectly human trait, and I am not here for one moment to defend cost-plus contracts; I don't believe in them.

Senator FERGUSON. I agree with you on that. Now isn't it essential then that someone, let us say the contracting agency, look into the efficiency of the labor that is performing the contract?

Governor McNUTT. I will tell you what our utilization group does. It is not a matter of their looking into the efficiency; it is a matter of helping them become more efficient. That is our whole story in Training-Within-Industry and we have done a tremendous job. Entirely outside appraisal of that work in this last copy of Reader's Digest is worth looking at. Did you see that?

Senator FERGUSON. Governor, don't we need more than a helping? Don't we as a Nation need the demand for more efficiency?

Governor McNUTT. I agree and I would suppose, Senator, that these representatives of the procurement agencies that are in these plants—and the procurement agency in this instance had a representative in this plant—would perform their duty.

Senator WALLGREN. We need training in the higher brackets, don't you think?

Governor McNUTT. I will reserve my comment on that; I work with these men, Senator.

Senator HATCH. Let me make this suggestion; this thought just comes to me. You say the contracting agency; that particular contracting agency we will say is the Army. The contractor may not need labor today but he says, "I may need it tomorrow; I will keep these fellows here." The Army comes along; it is interested in production; it wants these things out, and maybe you don't need them today; maybe you do tomorrow; that is all right. Now you are charged with the whole over-all labor situation. I am wondering if perhaps you—

Governor McNUTT. I will tell you, for example, Senator, just what happens within an hour. I am approached by the procurement agencies of the Army on a certain plant, asking for a stay of induc-

tion for some 1,400 men. Within the hour I am also approached by G1 of the Army with a demand that would make it impossible to fulfill the first request. I get in a position—and I hate to make the comparison—like Solomon dividing the child. It is one procurement agency making both requests; it is a division of the child between the two parts of that agency.

Senator FERGUSON. How can that set of facts exist? Someone is wrong.

Governor McNUTT. I tried to convince the procurement side that the replacement schedules in this particular instance were sound. I sent for them. They were delivered here. I took them over to the 3-star general in the Army and laid them before him and he said that on that basis he would withdraw the request that had been made. That is perfectly sound. The schedule had been approved. Somebody had—

Senator FERGUSON. In other words one agency had slipped and hadn't the facts.

Governor McNUTT. That is right, but that is one part of one agency, mind you.

Senator FERGUSON. One part of the same agency.

Senator HATCH. I want to get back to that original question you answered a while ago in which you said it would be helpful if you had the power to go into these plants and examine into the efficiency of the labor employed.

Governor McNUTT. Without doubt it would.

Senator HATCH. Would that duplicate?

Governor McNUTT. On that point it seems to me that the procurement agencies now have a sufficient force to make such reports to us, but I point out to you the fact—

Senator HATCH. You have such a report?

Governor McNUTT. I have such a report right here on North American. Can I believe it? Apparently not.

Senator WALLGREN. Where did you get that report?

Governor McNUTT. This is the report from General Meyers.

Senator WALLGREN. Do you consult with Wilson at all on matters of this kind?

Governor McNUTT. And with the W. P. B. member of the War Manpower Commission. I am a member of W. P. B. We are on the same floor; we see each other whenever it is necessary. We have worked very closely.

Senator WALLGREN. Has the general been down there to this particular plant, as far as you know?

Governor McNUTT. I don't know.

Senator HATCH. Does not his letter say that from personal investigation—not perhaps of him but his department?

Governor McNUTT. Certainly. Aren't these statements unequivocal? "The employment schedule set forth above is required to meet the airplane schedules for these plants. We have checked these figures independently; we have checked these figures independently." Nothing equivocal about that, is there?

Senator WALLGREN. You are justified in following what the Army tells you; no question about that.

Governor McNUTT. If I am not, Senator, just what can I do? I have no large inspection force; we haven't done business on that

basis. What we have tried to do through labor utilization was to go in and help a plant become more efficient. We haven't been the detectives.

Senator WALLGREN. But the point is with the committees for which you might be able to assist the committee in working this thing out.

Governor McNUTT. Why, certainly.

Senator HATCH. In fact that is our effort, Mr. McNutt, to try to prevent a recurrence of this thing, some suggestion, some help to you, or any other agency necessary. The subcommittee has done a good job; they discovered this job and it ought to be helpful to correct in the future.

Governor McNUTT. I agree with you.

Senator WALLGREN. Again I think this pattern for setting up a critical area is something that might cause a critical area, if you followed it in other parts of the country.

Governor McNUTT. Senator, I have had to be practical in a good many things. I have had to divide areas because of State lines and I have had to divide them because of pressures coming from the Senate of the United States, for one thing.

Senator HATCH. State's rights involved.

Governor McNUTT. I am afraid something of the kind was involved, Senator.

Senator FERGUSON. You think we should resist the pressures but be willing to take the facts?

Governor McNUTT. Senator, I think if you will look around you will find I have been case-hardened and heat-tempered and I expect I am submitted to as many pressures as any other official of this Government. I have tried to do what I thought was right.

Senator FERGUSON. Governor, how many men have you now out helping on the efficiency question?

Governor McNUTT. You mean how many in the utilization field? Dr. Sparks, how many on the list today?

Dr. SPARKS. There is a total of about 600 in the field, if you count the people that are assigned to the manning tabling division, which is a very important supporting division of the engineering staff. There are about 125 of the industrial engineers.

The CHAIRMAN. Let the doctor give his full name and connections for the record.

Governor McNUTT. May I give it for him? Dr. Sparks is the head of our Bureau of Utilization. He has demonstrated by his record in the past that he is a man who knows something about the business of manufacturing; he has been a very successful manufacturer.

Senator WALLGREN. He ought to go to Dallas.

Governor McNUTT. Head of Noblett-Sparks.

Senator FERGUSON. Couldn't these men that are out in the field report on the efficiency if they are going to help in the efficiency? Don't they have to know first what is the efficiency and they could report to you that this plant—

Governor McNUTT. They could do that.

Senator FERGUSON. Have they been doing that in the past?

Governor McNUTT. Certainly, but there are not enough of these; we haven't enough men to cover the number of plants now engaged in war production.

Senator FERGUSON. How many critical areas have you?

Governor McNUTT. Seventy-two.

Senator FERGUSON. Growing by leaps and bounds, isn't that true?

Governor McNUTT. Yes; and they have all had fair notice of what was coming.

Senator FERGUSON. Hasn't it come to the point where you could review each critical area, as you have now reviewed Dallas' critical area, through the War Production Board, to ascertain from the facts whether or not the various critical areas could be reduced and that we would then get more war production in all fields and we would get more civilian goods by reason of these surveys?

Governor McNUTT. That is right, but W. P. B. sees this list before it goes out. Now, if there is any doubt in the minds of W. P. B. about it they can say so right then.

Senator FERGUSON. Is it because we have no agency that has concerned itself with efficiency? Is that our trouble today?

Governor McNUTT. Well, I wonder if the procurement agencies themselves have concerned themselves with the efficiency of the plants in which they have contracts.

Senator WALLGREN. Because the aviation industry has been blown up to a point today where you have five times as many supervisors as you had mechanics 3 years ago.

Governor McNUTT. It has grown by leaps and bounds; people have been upgraded; men have gone to positions that they never dreamed of occupying in that industry simply because of the growth. Certainly, they have had a shortage on the administrative end and certainly on the supervisory end.

Senator WALLGREN. Of course, they carry that a little bit too far. They go over to California and take a man out of the personnel ranks working in personnel, getting \$300 a month, and move him over to North American and promote him and give him \$700 a month, and he doesn't know any more about the job just because he is getting higher pay. Everybody seems to think he ought to know something about what he is doing; as a result, we run into the situation such as we found at North American, where it comes to a question of management of personnel. That same condition obtains, I think, in almost every phase of the aviation industry, where they have just blown the industry up to a point where these men are having difficulty.

Governor McNUTT. Yet, Senator, may I say to you that the greatest pressures I am getting today are on air frame manufacture and the manufacture of airplane engines from both services.

Senator CONNALLY. I want to ask the Governor one question, a little off from what they are just asking about. As I understand it, the effect of this order practically prohibits the letting of other additional Army or Navy contracts in this area?

Governor McNUTT. That is right.

Senator CONNALLY. Now, I had a particular case called to my attention yesterday or day before, in which a concern had been under contract with the Army, making some technical, highly technical, things; I think it was some sort of torpedo; I don't know, but, anyway, the Army determined it didn't want any more, discontinued the use of that particular weapon, so they canceled his contract.

Governor McNUTT. Not because of this but because they didn't want the weapon.

Senator CONNALLY. That is right. I am not trying to hornswaggle you, Governor; I am just asking for information.

Governor McNUTT. I didn't think you would be.

Senator CONNALLY. So that when that happened he had no more work to do and he let his men go, but he represents to me that his men are not employed at this plant of North American and have no intention of going out there. They are in Dallas, idle.

Governor McNUTT. And yet, Senator, there is a demand within Dallas for other plants of over 3,000.

Senator CONNALLY. Let me finish my question, please, Governor. The Navy now wants to let a contract for some highly technical and important thing calling for high skill—I can't reveal the kind of weapon, so he is rated by the Navy as one of five plants in the United States that can make this article. Now he wants to bid and he wants the right to reemploy the same men he had before and who are sitting still around Dallas, without jobs, and I understand under this ruling that is prevented; is that true?

Governor McNUTT. No; that is not true.

Senator CONNALLY. I am asking for information.

Governor McNUTT. That contract could be let there if that contract could not be performed elsewhere in this country.

Senator CONNALLY. There are five men in the United States who could make it and he is one of that five and yet the other four are going to get the business.

Governor McNUTT. Perhaps they are loaded with contracts right now.

Senator CONNALLY. Is that a fair proposition? Here are these men unemployed, sitting around there, highly skilled, know how to do this job; the Navy wants this stuff and have qualified him, said, "Now you are one of the favored ones and we would like for you to bid on this." He says, "I can't bid under the War Manpower Act; I can't take a contract."

Governor McNUTT. If they issue the invitation it is up to them; they can let the contract. Obviously if there is a shortage and these men are out they shouldn't be unemployed; there is no reason why they should be unemployed if they are skilled mechanics.

Senator CONNALLY. They are skilled mechanics and know this particular kind of work. He wants to reemploy them so he can bid on this contract.

Governor McNUTT. That is up to the armed services.

Senator CONNALLY. If they want to let him bid they may?

Governor McNUTT. Under certain conditions. But the whole point is that when they go into a critical area, the effort is to put enough men there to fill the contracts that are there and get this war job done.

Senator CONNALLY. The contracts already made sometimes are more important than some others that want to be made.

Governor McNUTT. Under the west coast plan, for example, the War Production Board sets up the priorities of these projects. Which comes first?

Senator CONNALLY. It seems to me if that were the case——

Governor McNUTT. It is not an inflexible rule.

Senator CONNALLY. I hope it is not; I am just trying to find out. Pardon me if I have gone too far, I didn't intend to.

Senator FERGUSON. I have another question. You stated that the local agency made the recommendation. Isn't it true in the Dallas case that the local regional—the local area did not recommend but it was the regional director, Colonel Carpenter, that made the recommendation in that case?

Governor McNUTT. You mean as to whether or not this should be group 1? Actually it was a matter of forwarding the information which had been collected.

Senator FERGUSON. Did you know that this was true, that the United States Employment Service at the time this was placed in the critical area had 10,000 applicants for jobs?

Governor McNUTT. That wouldn't have filled the load that they had asked for.

Senator FERGUSON. Ten thousand people wanting jobs and the company making a demand, we will say, for 20,000, you would then put it into a critical area?

Governor McNUTT. It was something over 18,000 that was not reported as a part of the supply available at that time. These are all based on the figures that come in. What are the demands? What supply?

Senator FERGUSON. But isn't this true, that you take the company's word for their demand and they, being on a cost-plus contract, there is no check by the local agency to determine whether or not that demand is legitimate or illegitimate, isn't that true, that you have no means of checking?

Governor McNUTT. We have no means of checking that, but if we have gotten to the point where we cannot believe the word of a man—we catch up with him if he has made a false representation once; the next time we act in accordance with his performance.

Senator FERGUSON. But, Governor, he doesn't make a false representation in that he will hire any number of men that you will give him.

Governor McNUTT. No; his representation is that he needs those men.

Senator FERGUSON. Suppose he hires them and doesn't need them?

The CHAIRMAN. Which they do all the time.

Governor McNUTT. Then he has made a misrepresentation, no question.

Senator FERGUSON. What is done about it?

Governor McNUTT. The next time he doesn't get them. I am perfectly willing to put a ceiling on North American.

Senator CONNALLY. Now when he makes the representation that he needs so many men doesn't that of itself involve the duty of finding out if he is telling the truth, not the next time but that time?

Governor McNUTT. But that in so far as we can—

Senator CONNALLY. If you are just bound to accept any representation he makes and are going to wait until the next time before you do anything about it, it seems to me anybody who makes a representation, the mere fact of making it implies that you have the authority to accept or to reject and, in order to guide you, you have the authority to investigate to see whether he is telling the truth or not.

Governor McNUTT. But who should know better, Senator, than the procurement agency that has this contract?

Senator CONNALLY. I say the procurement agency—if you want my view—most of them are damned careless; it is the Government's money and they have been in the Army or Navy all their lives and never made a dollar except on the Government pay roll, and we want 1,000,000 of so and so, come in here, fellows, come on and take the order. I say that in all kindness; I have high respect for the Army and Navy, but everybody that has been in Washington and on these appropriations knows that is true, that they are extravagant, that they are careless.

Now if you are going to turn it over to the Army and Navy why that is another thing, but it seems to me that you are going to pass on the thing yourself and it is your duty through your agency to find out whether they are telling the truth or not.

Governor McNUTT. All right, Senator, when the deficiency bill comes over will you please lend your most—

Senator CONNALLY. Get you more jobs?

Governor McNUTT. Get more men with which to work, lend your invaluable assistance, will you please, sir?

Senator CONNALLY. I will help to give you all I think you need, if you use those you have intelligently and efficiently.

Governor McNUTT. I think you will see from the record those we have have been used.

Senator WALLGREN. In the case of North American plant it would be to the advantage of that plant, would it not, if that were declared a critical area?

Governor McNUTT. Not necessarily. No; you take Bell Aircraft in Buffalo, which is a critical area.

Senator WALLGREN. Let's take this one down in Dallas.

Governor McNUTT. I am showing you what can happen.

Senator WALLGREN. The geography is different.

Governor McNUTT. It might be we would refer no more male labor there, as we are not referring more male labor to Buffalo.

Senator WALLGREN. If, then, they were going to get their 48,000 employees, if that was to be a critical area in the future, they could always depend on additional help?

Governor McNUTT. Not necessarily. No.

Senator WALLGREN. No one else could get them.

Governor McNUTT. I am not so sure about that because W. P. B. goes in there with its committee to determine which have priorities.

Senator WALLGREN. Do you have any pressure leveled on you by operators to try to have an area made a critical area?

Governor McNUTT. I have pressure leveled at me and upon me by most anybody who is connected with the war effort.

Senator WALLGREN. But—

Senator CONNALLY. Governor, if you didn't you wouldn't amount to a damn; everybody that amounts to anything has pressure on them, of course.

Governor McNUTT. I am not complaining.

Senator CONNALLY. If you want a job without pressure you had better not stay around Washington.

Senator WALLGREN. I have a feeling that there are a great many plants that will do everything in their power to have an area declared

a critical area for their own good. I would like to have you elaborate on that just a little bit more as to whether or not you think that is true.

Governor McNUTT. I have seen no indication of that, Senator.

Senator WALLGREN. I am wondering just how keenly interested North American might have been in seeing that that area be classified as a critical area.

Governor McNUTT. They must have known that they would pay part of that price themselves.

Senator WALLGREN. How could they when they——

Governor McNUTT. They can put in their priorities committee there and determine who can have—who needs labor. The determination is made as between plants. There are some other aircraft there, too, as you know.

Senator FERGUSON. They are small. The Lockheed modification is small, 700 people.

Senator WALLGREN. They have 7 percent of the whole load over there.

Senator FERGUSON. Lockheed has 750 employees and they don't need any more, was the testimony.

Senator WALLGREN. Governor, do you know there wasn't another company in that whole list that needed more than five or six hundred men in the Dallas area?

Governor McNUTT. Lockheed was 2,387, Senator; that was their employment on September 1; Southern Aircraft, 1,775.

Senator WALLGREN. As far as Lockheed is concerned that is not their future needs at all.

Senator FERGUSON. There is something wrong with those figures.

Mr. FULTON. Mr. McNutt, you are giving the committee their employment, not the figures of their future needs; I think, Senator Wallgren and Senator Ferguson were referring to future needs, which in no case exceeded more than a few hundred.

Governor McNUTT. Here, according to them, was their labor demand: North American 18,885; Lockheed, 1,300. That was what they asked us for. Continental Motors, 130; Firestone, 35; Murray Co., 300; the Gilbertson Oil Heater Co., 167; and the others in that area that we make the rounds of, all these employers, they are not confined to the war plants, as you well know; we have to furnish those who are engaged in essential civilian activities as well.

Senator WALLGREN. But no other contractor asked for more than 500.

Governor McNUTT. The total of these others amounted to 2,578, aside from those that I have listed to you.

Senator WALLGREN. That is against 18,000?

Governor McNUTT. We cut the 18,000 of our own motion to ten, almost in two.

Senator FERGUSON. How could you do that if they actually needed them?

Governor McNUTT. Couldn't if they actually needed them; that was the estimate we made of it.

Senator FERGUSON. Now, let's take that. How could you possibly do that? What authority had you to do that if this airplane industry, which today is the most vital in America—these are large bombers—how would you cut it?

Governor McNUTT. We would do it as a very practical matter because their rate of hiring had not been that.

Senator FERGUSON. Then you didn't believe them?

Governor McNUTT. Of course, we didn't.

Senator FERGUSON. But did you go into see how much you didn't believe them?

Governor McNUTT. No.

Senator FERGUSON. You say you didn't believe them down to 10,000. Did you make an analysis as has been done by Mr. Wilson, showing you that they didn't need any in fact, except a few replacements only?

Governor McNUTT. Let's get back to what Mr. Wilson said, that they had changed their schedules and that they had found out that their training was being done better than they had anticipated.

Senator FERGUSON. Governor, isn't it true they changed their schedules because they were only producing a sixth?

Governor McNUTT. There is nothing in Mr. Wilson's wire that would indicate that. His wire indicates to me there is a change in airplane schedules the country over.

Senator WALLGREN. It is this particular plant, Governor; there is no production there yet; we expect there will be because—

Governor McNUTT. Yes; they are scheduled this month for so many bombers and fighter planes and that goes up to over so many in March.

Senator WALLGREN. That is not very many when you consider the job being done by other plane plants throughout the country, so they will not at all have reached their peak, even this month, and they won't for some time.

Governor McNUTT. I understand—

Senator FERGUSON. Governor, do you want those figures on the record?

Governor McNUTT. No.

The CHAIRMAN. Leave the figures out.

Senator FERGUSON. We haven't been able to use figures.

Senator BALL. Governor, when you get these estimates of manpower needs from the employer, do you check them with the representatives of procurement agency stationed in that plant?

Governor McNUTT. That is right.

Senator BALL. Do those representatives ever disagree with the figures presented by the management?

Governor McNUTT. I suppose they do. It would not be natural if they didn't disagree occasionally.

Senator BALL. Here is what I am getting at. It seems to me your big difficulty in this whole picture is that you get an employer with a contract and you get a representative of the procurement agency who is given the responsibility of seeing insofar as he can that that particular contract is fulfilled; the whole tendency of those two men is to see that they get everything they need. They are concentrating on their own little sector.

Governor McNUTT. That is right.

Senator BALL. And the over-all picture doesn't worry him very much. That is your responsibility.

Governor McNUTT. That is right, it worries me; it doesn't worry them.

Senator BALL. How can you—what have you to recommend to this committee as a way of overcoming that tendency of the individual, the employer and the representative of the procurement agency out in the field in charge of a particular contract to put the performance of that contract above everything else and as a result not give enough attention to the over-all war picture and when the employer tells him now, "Yes, I know I am not using these men now, but I may need them 2 weeks from now," and the procurement agency man goes along with him. We know that has happened; we have seen it in too many plants.

Governor McNUTT. I know it has happened, too, but I doubt very much if even the Truman committee can change human nature.

The CHAIRMAN. We are not trying to do that.

Governor McNUTT. It is human nature to do exactly what you have said.

Senator BALL. What kind of procedure can alleviate that situation some? We were convinced from what we have seen in these plants that if you had efficient utilization of existing manpower your problem would be at least two-thirds solved.

Governor McNUTT. Not so sure it would be solved, but a good deal easier.

Senator BALL. What have you to recommend?

Governor McNUTT. Furthermore putting a place in group 1 has in many instances brought a community to realize that and the community pressures themselves have brought about changes. Now the most notable example—and I wish the committee would look at it—is the one at Dayton.

Senator FERGUSON. I have read the history of the Dayton one.

Governor McNUTT. The community itself did that. I think the same thing is going to happen in Indianapolis.

Senator FERGUSON. When we analyzed Dayton it wasn't the Army that caused the critical area; wasn't it Wright Field and Patterson Field that caused that critical area, and therefore—

Governor McNUTT. It contributed; it was not the sole reason.

Senator FERGUSON. I spent some days there and if it wasn't the sole, it was close to the sole reason.

Senator BALL. Governor, to get back to my question, is there anything you can recommend to this committee, any change in this procedure and authority that would tend to alleviate that situation and make this over-all picture the primary factor, rather than the individual's desire to make a good record for himself?

Governor McNUTT. Get me the machinery with which to work. I would be very happy to undertake it. After all, we are really the hired man here. We are the ones who take the orders to go out and get the men.

Senator WALLGREN. Governor, you know this committee's job is that of trying to save the Government a little bit of money and trying to prevent waste. This one particular instance here now, 10,000 men to be taken out of that plant at an average of \$50 a week is a saving of half a million dollars a week to the Nation. I think this thing could be done all over the United States. We might need a little help from you.

Governor McNUTT. And I will need a little help from you, and also Appropriations Committee of the House and likewise of the Senate.

The CHAIRMAN. Senator Lucas, do you have a question?

Senator LUCAS. I just wanted to ask one question. In this North American plant who in reality is responsible in the first instance for this labor proportion?

Governor McNUTT. The management.

Senator LUCAS. The management of the North American plant.

Governor McNUTT. That is right.

Senator LUCAS. Now what can the committee or Congress do to discourage the hoarding of labor in these plants? That seems to me to be the base of the whole thing.

Senator WALLGREN. Senator, the point of it is this, that the North American Aviation plant has done up to now a very fine job.

Senator LUCAS. Not from what I have heard here this morning.

Senator WALLGREN. I am speaking about the one in California. Now they are asking—when Mr. Kindelberger, the operator, the manager of this plant, the owner of it, rather, when he was on the witness stand before us in Dallas, when I asked him the question of how many people he employed when he first manufactured planes under a contract in 1936, he said 90 people. Today his plant in California has approximately 30,000 and they are asking for approximately 40,000 at Dallas. That gives you some idea of how the industry is blown up.

Senator LUCAS. How many do they need at Dallas?

Senator WALLGREN. Apparently now the figure can be scaled down to approximately 30,000.

Governor McNUTT. And apparently the number of planes has been scaled down, too.

Senator WALLGREN. They have scaled down the number of planes because they haven't been able to meet the schedule that had been set for them.

Senator FERGUSON. What is the use of putting up a scale when there is no intention—

Governor McNUTT. I don't do that.

Senator FERGUSON. The company does.

Governor McNUTT. When the production scale is laid out by W. P. B.

Senator LUCAS. What I am complaining about here is a question, is it a fact that anyone in this country that needs only 30,000 men in a plant asks for 40,000—

Senator FERGUSON. 48,000.

Senator LUCAS. Now, that individual, there is something fundamentally and basically wrong with the fellow who will make that kind of request when we are all out in this war effort to do whatever each individual can do to win it at the earliest possible time.

The CHAIRMAN. I think he was doing just what we all do; if we find there is a shortage of shirts we order 10 dozen when we can get along with 10, and I think he ordered 48,000 people when he knew he needed 38,000 and he would only get that many.

Senator FERGUSON. In this particular case I think part of it was caused by this: They put in as a personnel man to determine the

amount of labor they needed a man who had had no experience, and this is not critical of this particular man, but he had been a first-aid assistant until he took this responsible job. He was not checked by any responsible agency; he had a cost-plus contract; the Army didn't check him; they weren't interested in it; they are interested in production. If he says he wants 48, so what; give it to him, there are a lot of men. That is what happened here. There is no responsible agency of government, and I think we found this from the testimony because we went down there and actually took the testimony, to insist on not hoarding labor.

Now, this particular case demonstrated this, that the union, the C. I. O. union, came in and testified that they were not producing. The people had been critical of the union. The slow-downs, and so forth, caused criticism, but here was the union testifying that they were not producing more than 50 percent; in fact, the engineer, the superintendent of the plant, said that they were 25 percent efficient in that plant and that testimony could be obtained by the Army and Navy and anyone who took it.

Senator LUCAS. I want to ask this. I don't quite agree with the Senator's explanation on the shirt deal. These people have these huge contracts, making implements of war, and if they were designedly and deliberately and knowingly hoarding men, in my humble opinion they were just chiseling and cheating in a serious crisis here, and it is something that apparently no one can stop unless you have a lot of men, as the Governor says, to go here and there and check these men constantly. Now, it would seem to me that possibly a penalty of some kind for hoarding labor from the Congress might have some effect upon these fellows in the first instance.

Senator FERGUSON. Don't you think it would be a good thing now and then to take the contract away from them? In this case the Government owns that entire plant and every particle of machinery.

Senator LUCAS. We are complaining bitterly here of Government officials who fail to check and recheck, and that is all right, but we are not, in my humble opinion, placing enough emphasis upon the fellow in the first instance who willfully and knowingly and designedly hoards this labor, and we are supposed to go along with this program the same as anybody else.

Senator WALLGREN. The Government found it necessary to have to go out and get these men to do the job for them; they are the only men that know how to build these planes; a lot of these men don't want to take on another plant; a lot of them haven't wanted to see the industry blown up to the proportions it is, but the Government and Army comes along and says, "We have to have 10,000 of this and 50,000 of that."

Senator FERGUSON. But, Senator, you would see crocodile tears if you ever took any of these contracts away from them.

Senator WALLGREN. After they get rolling once, yes; but at the outset most of them are a little skeptical about whether they can put the program across.

The CHAIRMAN. We have here today a distinguished visitor from the House of Representatives, the chairman of the Judiciary Committee of the House (Congressman Sumners of Texas), who is also the Congressman from the Dallas district. I will extend the courtesy to him of any questions he desires to ask.

Representative SUMNERS. It is pretty fine to get this sort of recognition any time. Governor, you will excuse me if I get into the record, because it will read pretty good down home, you know.

Governor McNUTT. You always read well, any place, any time.

Representative SUMNERS. I was home during the time the Truman Committee was there and I have been making some independent investigation of that whole picture and it seemed to be very important not only with regard to the Dallas situation but in regard to the over-all picture. If I may indicate, I think this whole situation in Dallas has some pretty deep roots. In the first place we seem to be losing consciousness of realization in this country of the fact that we are fighting a war, really fighting a war; that everything we have is involved and probably we are a long way from the victory.

Now, you don't find anything in those plants of the spirit, as far as I could discover, speaking generally, to indicate that those men realize that they are engaged in a battle where much happens to determine the final victory. I didn't find it in the community. The second thing is that there is still a notion in the country that Uncle Sam has a bottomless pocket. Young folks come into those plants and get two or three times as much money as they got at home; they come in there with a notion they are going to sacrifice, they have some kin-folks fighting and they want to make a contribution. But that is what they find when they get there, and more money than they ever got anywhere else, and they are put through a period of training at public expense, doing nothing largely, just sort of standing around.

That is what they tell me. I think this cushion is a very bad thing. I recognize they have to have some people, but this cushion means a lot of people standing around doing nothing, waiting until they get ready to work them. The moral effect, the effect upon the morale of those people of those two influences is tremendous in these plants and if that operates everywhere like it operates there, I don't know what can be done about it, but it is a tremendously important thing.

With regard to these small plants, there is where this pinch is coming because North American I was told have enough contracts to carry through this year and next year. Now these small plants, Governor—and this is a practical observation, and probably it has occurred to many people—that can produce war materials are close to the centers of population. There is no transportation problem that is difficult; there is no waste of time in getting back and forth to the place where they work, like there is if the people have to go to the North American, to the big plant.

There they have to go these many miles on congested roads, or they have to live in a shack, or have no place to live. But these people around these small places in the center of population don't have any of those problems. Now as far as that could be done, I am making this statement in general and it is not at all in reference to your particular job, to whatever degree we can utilize these little plants where they already have the population, if a man could go three or four blocks or maybe a half mile or 2 miles to work in a plant located in Dallas and couldn't make that 10, 15, or 20 miles over to this plant and back, those are the over-all observations I want to express.

I also want to express my appreciation for the effort that is being made by this committee and for what I understand is to be the deter-

mination in regard to that, but those observations I have just made I believe are pretty important in this general over-all picture.

Governor McNUTT. We have urged these larger plants to sublet as many of the contracts as they can to relieve the situation in the larger plant.

Senator FERGUSON. Governor, we have been talking about efficiency this morning. Do you think this will add to the efficiency? It has just been reported that all aircraft workers will be automatically deferred from the draft? Do you think that will add to our efficiency?

Governor McNUTT. If that report has been made it is not true.

Senator FERGUSON. You know nothing about that report?

Governor McNUTT. I know only the telegram that is being sent out, I think, today, in connection with the west coast.

Senator FERGUSON. What area will they be released or deferred under the draft?

Governor McNUTT. That will be on the west coast, but it is not really an automatic deferment.

Senator FERGUSON. What will it be? What is the ruling?

Governor McNUTT. I should not like to quote what I happen to know is coming from Mr. Justice Byrne's office until it becomes a public record.

Senator FERGUSON. It is not out of your department? Your department had nothing to do with it?

Governor McNUTT. It came from Justice Byrnes.

Senator FERGUSON. Governor, do you have the figures on the Texas situation, the whole Texas set-up?

Governor McNUTT. I can get those figures for you.

Senator FERGUSON. Would you put that into the record?

Governor McNUTT. I would be very glad to.

Senator FERGUSON. That may have something to do with this particular area, so if we might have the figures on the demands and the amount employed in the various places. This is a west coast deferment. It wouldn't cover the Detroit area or Dallas area?

Governor McNUTT. It doesn't even cover Boeing, Wichita, although I have a request there for a stay of induction from the Under Secretary of War.

Senator FERGUSON. Do you know, Governor, how the deferments are given? For instance, in Dallas? Do you know this is the rule that if the company wants deferment of a single man, let us say a young fellow of 22, they merely fill in a form, saying why they need him, and so forth, and send it to your department; you stamp it in your Austin office "Deferred man," and then it goes to the board and they automatically just as a matter of course on most boards grant that deferment?

Governor McNUTT. In our talking, Senator, about the replacement schedule, we think in order to help this situation out so that a single plant wouldn't be hard-hit, we have asked them all to schedule how the man can leave in order to meet the demands of the armed forces. Now it has been mutually satisfactory. The local board is still autonomous but they have allowed that.

Senator FERGUSON. They have practically abandoned their right, isn't that true?

Governor McNUTT. No, no.

Senator FERGUSON. We took testimony there in Dallas and found it to be true.

Governor McNUTT. They recognize the reasonableness of this procedure. We have worked on these replacement schedules in order to bring about an orderly withdrawal from industry. In other words, the demands of the armed forces would not seriously hamper our production effort this way. That is the whole purpose of it, and on the whole it has worked out very satisfactorily on the part of all concerned.

Senator FERGUSON. I have only one more question and that is on the so-called 30-days from one employment to another.

Governor McNUTT. It is 60 days now.

Senator FERGUSON. Now, isn't it true out on the west coast you could buy these forms in stationery stores and that they were forging them?

Governor McNUTT. I suppose things of that kind will happen. First of all, we couldn't ask——

Senator FERGUSON. Do you know of any prosecution on those?

Governor McNUTT. I don't know that there have been, but there is no reason why there shouldn't be, because they do not——

Senator FERGUSON. You think your department ought to look into that?

Governor McNUTT. That is right, but we have no legal staff that would permit us to do that.

Senator FERGUSON. Couldn't the Department of Justice do it?

Governor McNUTT. They might be able to do it; we can place those before them.

Senator FERGUSON. I would like sometime for you to give the committee a report on that. Now it is 60 days.

The CHAIRMAN. The committee will stand recessed until the call of the Chairman.

Governor McNUTT. Thank you very much, Mr. Chairman and gentlemen.

(Whereupon at 12:30 o'clock the committee recessed until the call of the chairman.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

FRIDAY, NOVEMBER 19, 1943

UNITED STATES SENATE,
SPECIAL COMMITTEE INVESTIGATING
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:10 a. m., pursuant to the call of the chairman, in room 318, Senate Office Building, Washington, D. C., Senator Harry S. Truman, presiding.

Present: Senators Harry S. Truman, (chairman); Mon C. Wallgren, Joseph H. Ball, Carl Hatch, Harley M. Kilgore, Homer Ferguson.

Also present: Hugh Fulton, chief counsel; Rudolph Halley, executive assistant to chief counsel.

The CHAIRMAN. The committee will come to order. Mr. Wilson, if you will, please take the witness chair.

TESTIMONY OF CHARLES E. WILSON, EXECUTIVE VICE CHAIRMAN, WAR PRODUCTION BOARD

The CHAIRMAN. We are particularly interested in getting fundamental information on the last report which the committee made on reconversion.¹ We are particularly interested in manpower and the use of Government machinery in the plants as they now exist, whether they can be used or not. If you care to discuss some of those questions with us this morning, we should be glad to hear from you.

Mr. WILSON. Manpower in any particular industry or generally?

The CHAIRMAN. Generally, as you have seen it, particularly in the aircraft industry, with which you are familiar.

Mr. WILSON. I think the utilization of manpower in the aircraft industry, Senator, is becoming very much better than it has been, and I believe there has been a very distinct improvement. Industry is getting past that stage of almost an infant industry into the mass production phase, and is doing a distinctly better job in utilizing the manpower that they have in place.

The industry generally has revised its estimates of its additional manpower requirements; as a matter of fact—this is speaking rather generally now—has stated that the manpower in place in most cases will be ample to meet the substantially increasing output requirements. It is true, as you know, that quite a number of the air frame

¹ Senate Report No. 10, Part 12, Seventy-eighth Congress, first session, "Outlines of Problems of Conversion from War Production."

plants still have substantially increasing schedules, but nevertheless they believe now that they will be able to meet those schedules with only minor additions to their labor forces. So I believe there is much evidence that that great industry is more or less becoming of age now, when we can look for very much better manpower utilization within it.

Mr. FULTON. Mr. Wilson, have you found in effect that after this North American Dallas plant investigation of yours and the committee,¹ they are a little more willing to look to see whether they can actually get more out of the people they have before going out to hire more?

Mr. WILSON. Yes; yes; they do, Mr. Fulton. They show entire willingness now to study the manpower utilization situation within their individual plants very thoroughly, and they are cooperating fully with us to try to bring about improvements.

Mr. FULTON. Is the War Department cooperating with you along the same line?

Mr. WILSON. Yes. We are using there particularly now the Army Air Forces people and, indeed, have plans for improving the cooperation. We are going to give the Army Air Forces men who are in these individual plants an intensive training course, if you could call it that, so that they may know what to look for, try to discover any weaknesses that still remain, and, from everything I have seen, they are assured of the hearty cooperation of the manufacturers in making further improvements.

Senator FERGUSON. Mr. Wilson, in the past it was one of the defects, was it not, that they didn't know or couldn't find this hoarding; that is, as far as the Army was concerned?

Mr. WILSON. Yes; there was very considerable confusion on that point, Senator, and I think the air frame manufacturers believe that they really need more additional labor than actually they do need. I think in fairness to that industry we have to remember that they have gone from what amounts to the job-shop type of manufacture to a tremendous mass-production business in a relatively short time, just a few years, and the confusion of their needs, I believe, has been added to by the fact that it is also true that, in the period when they should have been studying more efficient methods of manufacture, they have been beset by all kinds of demands for changes that really were confusing and disturbing to them, which changes, incidentally, as they have been investigated, were entirely in order from the standpoint of military demands. Yet they were very upsetting to a shop, to have to change all their tools and methods, and so on, in order to conform to the desires of the military.

So it has been a difficult time for them. That has straightened out to a very large degree recently, and I believe it is a fair statement that the industry is now cooperating very fully, is alive to the possibility of the opportunity to reduce the labor on many types of planes, and I believe that the production results are proving it. Their reduced demands for labor are further proof of it, and I believe that the reduced man-hours for air frames of various types over the course of the next few months will give a very definite demonstration of the improvements that have been made.

¹ See *supra*, pp. 8845-8572.

Senator BALL. Mr. Wilson, I recall reading a report—I think it was in *The Washington Merry-Go-Round*—that after you had ordered the request of the Dallas North American plant for 9,000 additional employees turned down, the War Department overruled you. Just for the record, is that true or not?

Mr. WILSON. No; the War Department didn't overrule the change that was made there; that is, the change in the number of people that North American had previously said they needed; and we had, in Dallas, arrived at an agreement that they did not need that number of men. The War Department did not overrule that. There were those in the War Department, I believe, who were still insistent that the industry did need very large numbers of additional workers. Possibly we were not in agreement, but, as far as the Army Air Forces were concerned, which is really the instrumentality of the War Department with whom we deal in matters of that kind, they were in entire agreement with us that great improvement could be effected, and they have cooperated with us.

Senator BALL. Does your decision cutting back their manpower requirements stand?

Mr. WILSON. It stands, absolutely; yes, sir.

Mr. FULTON. Mr. Wilson, do you have any figures on the amount of the reduction in manpower that has been made by, say, the west coast since this Dallas investigation?

Mr. WILSON. I haven't the exact figures because they have been challenged by reason of the changes that we have made in the schedules. The schedules are being changed up and down. We are discontinuing the manufacture of certain planes; we are increasing the manufacture of others. This scheduling of war requirements is a very fluid proposition, as you know. So, with these changes, we have had to go back and revise all the figures.

The industry is cooperating with us. As a matter of fact, I have a group out on the Pacific coast now where over 50 percent of this work is concentrated, again going over their manpower requirements.

I am unable to tell you what the reduction in the number of people that they will want will be, but I can say this to you, that there are enough straws in the wind to give you assurance that the number of people that they formerly thought they would need to meet the schedules will be substantially reduced. Indeed, in some plants they probably will let people go.

Mr. FULTON. When you referred to the figures being challenged, you meant the tentative figures, that the aircraft industry itself revising its own requests had been challenged by the Army as being indicative that they needed less men than the Army thought they would need.

Mr. WILSON. Yes; they have questioned whether the figures were right.

Mr. FULTON. Why doesn't the Army press, like yourself, for a vigorous reduction?

Mr. WILSON. The Army Air Forces—again I—

Senator FERGUSON (interposing). I notice you distinguish between the Army and the Army Air Forces. Why is that?

Mr. WILSON. The Army Air Forces, of course, is the agency most closely associated with this aircraft-production problem; but, of course, there are other agencies of the War Department who apparently have an interest in the problem and, as a matter of fact, other agencies

of the War Department have made independent studies of the manpower requirements of aircraft and other items. It was one of those agencies that came up with a report that seemed to indicate that the original figures, the original estimates of the increases, of what the aircraft manufacturers would need, were way beyond those that some of us more closely associated with the aircraft problem could subscribe to. But, dealing with the Army Air Forces group, we are in complete agreement to date that these manpower economies can be effected.

Senator FERGUSON. Would it appear at the present time, then, that we have sufficient manpower in the particular industry, the airplane industry, to operate it?

Mr. WILSON. We have, I think, for the next month or 2, Senator, generally speaking. Now, of course, this is a far-flung industry—

Senator FERGUSON (interposing). We appreciate that.

Mr. WILSON. And there are still soft spots. There are certain engine requirements we undoubtedly will have to speed up, and the only way we can do it is to add more manpower, but that is a matter of comparatively a few thousand people. In one or two air frame plants there are soft spots, and we will have to add a few thousand people. But, generally speaking, throughout the industry we have the manpower in place now to meet the present so-called W-8 schedule, which is a very substantial schedule. The increases beyond the manpower in place even in those plants will come only when the production schedules rise substantially sometime in 1944, if those schedules are maintained—I mean if they are not changed.

PROBLEMS OF CONVERSION FROM WAR PRODUCTION

Senator BALL. Mr. Wilson, to get to post-war conversion, which is what this hearing is about, have you any rough estimate of what proportion of the air frame plants producing for the war effort are owned by the Government, by one agency or another?

Mr. WILSON. I couldn't tell you the figures. The new plants, which constitute a very large proportion of the total, are owned by the Government.

Senator BALL. Probably over half of the production is coming out of the Government-owned plants?

Mr. WILSON. I would estimate that that is so, Senator.

Senator BALL. Are those plants so constructed that they can be used for other purposes than aircraft production?

Mr. WILSON. Oh, yes; they could be turned into other types of manufacture. They are fine plants, for the most part. I never saw better manufacturing plants.

Senator BALL. A lot of the machine tools could also be used for other purposes?

Mr. WILSON. Many, many of the machine tools are reasonably standard machine tools; yes, sir.

Senator BALL. Have you made any estimate or have you any idea of what proportion of the present air frame production is likely to be possible after this war on a peacetime basis?

Mr. WILSON. I have never made an estimate, no, Senator, but when you get up to an output of 9,000 planes per month, and then compare that with our production of transport and cargo planes prior to the

war period, of course, it can be at best only a comparatively small requirement for peacetime as compared with today.

Senator BALL. In that case it will be a small fraction?

Mr. WILSON. I should think so; yes.

Senator BALL. Of the present production.

Mr. WILSON. I should think so.

Senator BALL. What use, then, can we put these plants to after the war? Have you any idea?

Mr. WILSON. My guess would be that you are going to need some of these plants or similar plants for storage purposes after the war, because when it comes to the reconversion period, I don't know where you are going to get warehouses enough to store up the raw material and the semifinished and finished stocks that will be on hand when the day comes, unless you take some of these great plants and have plans in advance to order what will then be Government-owned raw material into this one and semifinished parts into that one, and finished parts into others. I think you are going to need a great many of them to take this stuff of the manufacturing plants of the country that you want to reconvert to peacetime requirements just as quickly as you can.

In all of the discussions I hear about reconversion, there seems to be very little consideration given to how you are going to empty out these plants of the concerns that you want to proceed fast in order to put labor to work in post-war days, how you are going to clear them out. I think that is a tremendous problem, myself. What good is it to say—

Senator FERGUSON (interposing). It is probably the first thing; isn't it?

Mr. WILSON. I think so, Senator. It is one thing to say that you will pay X percent under a termination arrangement with somebody or with some concern, but at the same time it seems to me you had better have also a definite determination of what the manufacturer is going to do with that stuff, to clear it out, clear out his factory, clear out his machine tools, so that he can go back to work on peacetime goods and use peacetime labor.

I think probably one of the best things you can do with many of these factories is to have them set up as warehouses for this tremendous volume of stuff which will be Government-owned. Others of them undoubtedly ought to be set up as emergency plants to take care of another emergency. There are some of them that are of special nature, and all that undoubtedly ought to be retained by the services that have bought them, against the day you may need them again.

Senator BALL. You mean you think some of the primarily combat plane production facilities should be in effect Government arsenals?

Mr. WILSON. I wasn't thinking of that. I was speaking generally that time. I don't think that is so true of planes, because I presume that in a new science like that of planes, what you have today will probably 10 years from now be so different that I am not so sure that even the plant would be the thing you would want. I wasn't thinking of planes. I was thinking of such items as magnesium for planes, where you have Government-owned facilities today, and the chances are that you will want to save those facilities against an emergency. I question whether there is any point in saving plane factories against the day you may need them again.

Senator BALL. Has any study been made, or is it being made, of the possible amount of warehouse space that will be required for storing these finished, semifinished, and raw materials owned by the Government at the end of the war?

Mr. WILSON. I have heard just recently that it has been suggested that Mr. Baruch's committee, which is studying this termination clause and so on, give consideration to the necessity of having a plan for that, and I presume they will. I know they are interested in it now.

Mr. FULTON. Wouldn't the Army, itself, or the Navy have to determine the need that they themselves think they have for each facility before you could start on that kind of program?

Mr. WILSON. Yes; I believe they will. I believe they will have to select those plants that they know that they think they will need, and then the balance, I surmise, will have to be a cooperative consideration as to what can best be done with them in the other agencies.

Mr. FULTON. Do you think the companies themselves ought to consider whether they want to use any plant that is presently being managed and operated by them and notify the appropriate governmental agency that they would like to have a plant of theirs considered?

Mr. WILSON. Yes. I believe that some corporations have already done that and undoubtedly are planning that this or that plant can be used by them in their peacetime operations, and they would like to take it over.

Mr. FULTON. Shouldn't they all be working on that kind of thing now?

Mr. WILSON. Yes; I believe that the time will come for it. It is just a question in my mind as to the when of it. I think there is no question that it ought to be done, but the timing of it is important. Certainly we don't want to get enough attention on this subject or, indeed, in my judgment, on post-war planning to the point where some of the corporations engaged on what is still important war production are devoting too much of their time and attention to it. While those of us in W. P. B. who have this problem put up to us many times are very, very sympathetic to the idea of our larger and more important industries to post-war operation giving the attention to it that it needs, we certainly don't go as far as to want to see important technical labor devoted to studies or, indeed, to the manufacture of tools, and so on, for it at this time, because it happens that the industries that would be most likely to do that are the ones that we think are still engaged on war production that is still very, very important.

Mr. FULTON. Of course, you do have the factor, do you not, Mr. Wilson, if you assume that the Army has determined its maximum size; that on many items and gradually an increasing number of items you are at least approaching the time when you will have enough. They have already cut back by something like \$6,000,000,000 in the War Department and \$2,000,000,000 in the Navy. Taking an item like small arms and machine guns, even if you haven't won the war, you will have as many of those as could be used by the Army we contemplate having. If you get more and more of these items, you are really approaching the stage where it is desirable that you do give at least some thought to the rest of it.

Mr. WILSON. That is right.

Mr. FULTON. In many industries there will be a time lag that could be a very seriously hampering thing unless some thought is given to it before the day when they are told we haven't any further use for them for war purposes.

Mr. WILSON. I am all for the thought, Mr. Fulton, and I believe in the planning. I believe that the time has come for all the agencies involved—including in that, of course, the corporations of the country who have done a great war job—to plan, and the whole thing ought to be planned cooperatively. The point I tried to make is that I don't want to see the actual making of tools and all interfere with war production at this point, and it could easily do it. If it is planned carefully and the timing of the various steps is done cooperatively, as it can be done, then I don't think there is any danger. Indeed, I think we must go ahead with the post-war plans to that extent.

Senator FERGUSON. Do you find any evidence that industry does think that the war is over?

Mr. WILSON. Oh, yes; some evidence of it, and we have from time to time what amount to demands from certain industries that they be permitted to go ahead with—at least, to give consideration to necessary tooling jobs for after-war requirements. I will say that I believe they have in mind possibly only intermediate steps. I think that is fine if it is only at the planning stage yet, but I think it would be entirely wrong if we contemplated giving either an industry or even just a segment of industry the right to go ahead and use any large amount of technical help to do that job today, because I don't think we have reached the point where we can see manpower utilized for that purpose yet.

The day is going to come when we reach the point that you just mentioned, Mr. Fulton, when the capital goods requirements of the Army and the Navy are fairly well caught up with, regardless of the state of the war in Germany or in the Pacific, when there may be opportunity for that. My point is that it is just a question of timing.

Mr. FULTON. We have reached that point in some items, but because of the general manpower shortage you feel it hasn't yet got to the stage where much can be done in the line of actual manufacturing of tools.

Mr. WILSON. We can't do it generally. It is spotty today. So far, in most of the cases where the cut-backs of certain of the capital goods for the Army and the Navy have been made, we have been able, and in fact just waiting for the opportunity, to utilize that labor to make up certain shortages. I think of one just within the last 48 hours, a considerable cut-back of certain capital goods that released over 5,000 workers in a district where we very badly need them for a new capital goods demand of the Army. It simply means a shifting of labor.

The point I am trying to make is that it is something that we have to guard against, if that labor should have gone into some peacetime operation, desirable as that might normally be. If we still need those 5,000 people for a new capital goods demand of the Army, it is a necessity, and obviously we ought to turn them into that field.

Senator BALL. Mr. Wilson, it struck me, in trying to think through this conversion problem, that, approaching it from the standpoint

of employment, two of your toughest industries will be aircraft and shipbuilding, which have been expanded so tremendously.

Mr. WILSON. Right.

Senator BALL. Also, it has been this committee's observation of the aircraft industry that it takes a long time for them to get into production and full employment on a new type of plane.

Mr. WILSON. A long time.

Senator BALL. So I think there has to be planning pretty well in advance if you are going to employ even the fraction we have talked about of the people now employed in the aircraft industry after the war.

Do you know whether there will be any large proportion of the present planes being made that can be converted to peacetime use?

Mr. WILSON. I shouldn't think there would be a large proportion, when you consider the total number of designs that we are utilizing today. There would be a proportion of them, of course, that are convertible to transport, both passenger and cargo, and I surmise that would be the natural initial change-over point. You would use what you had.

Presumably, all the manufacturers will want to go ahead with new models, because I think they all have ideas of improved transport planes for future use, and I am not at all certain that the time won't come—maybe it will come in 1944—with production reaching the heights that it is in that industry, that, by arrangement with the procurement agencies, their engineering forces can be diverted, that we could permit diversion of them to peacetime designs. I believe that time will come. I don't think it is here yet in most of the places, but I believe there will be a time, maybe in '44, when the procurement agencies can say, "You may divert."

Senator BALL. What kind of financial position are these airplane companies going to be in to make that conversion? Assume that there is going to be a tremendous demand for transport planes after the war, and I think there will be, as well as for smaller type taxi planes and private planes. I have talked to some of these aircraft manufacturers who have virtually no post-war reserves in proportion to their present pay rolls set up. Do you think they are going to be in financial shape to make that conversion, or are they going to need financial help from the Government, or will they be able to get it from banks? We know that a lot of them have expanded 20 or 30 times on a very small capital base, and the Government has taken most of what they are making through taxes and renegotiation.

What is that picture?

Mr. WILSON. My guess would be, first, that I think you have to contemplate that the whole structure of the industry is bound to be considerably reduced in size. I don't see how it could be otherwise. I don't think any of us can contemplate an airplane business for peacetime of anything like 10,000 planes a month, and that is, of course, what they are set up to do—plus. As a matter of fact, if there were the need, they could produce more. That is the structure. I think that is bound to be reduced.

I don't like to pass my judgment of their financial ability or their ability to get the financial assistance they need. If there is a proper termination of their contracts and it is reasonably satisfactory to them,

I should think they would be in position to finance their contracted business of the future. But that is only a curbstone opinion. I don't profess to know anything about the financial structure of them for post-war operation, Senator.

The CHAIRMAN. Senator Kilgore, did you have a question?

Senator KILGORE. Yes; I have a question or two to ask along the line you were asking about.

We have a tremendous oversupply of facilities now, not for our present needs, but if we would convert to the type of planes we would need in the post-war period, it would probably double or treble in facilities what we now need; isn't that right?

Mr. WILSON. That is right.

Senator KILGORE. However, we say we can't use these planes. As a matter of fact, we will be able to use all the engines and instruments and radios and things of that kind in the post-war plane that we are now producing, and the main thing is that we will have a different design of fuselage and wings; isn't that right?

Mr. WILSON. That is right.

Senator KILGORE. With our present facilities, if we should go into the type of plane we will build post-war, we could probably build 15,000 or 20,000 a month under the present methods in the small planes, cheap planes, and things of that kind.

Mr. WILSON. That is right.

Senator KILGORE. So we are going to have a big cut-back in facilities there.

Mr. WILSON. I don't think there is any question about it, Senator.

Senator KILGORE. It is a question of the companies that are now building rather reorganizing their ideas on the future. Isn't that one of their questions?

Mr. WILSON. That is right.

COST-PLUS-FIXED-FEE CONTRACTS

The CHAIRMAN. Mr. Wilson, I submitted some questions to you on various subjects, including the ones we have been discussing. I should appreciate it very highly if you would take those through in the order in which they come, those which you care about answering. You agreed to submit a brief on those which you don't feel like answering at this time. If you will just follow that through, we will probably get a more orderly record on this thing in which we are interested. Then we will have any questions that we want to ask after you get through.

Mr. WILSON. The first question you asked, sir, is about Dallas.

The second one is about the cost-plus-fixed-fee contracts. You inquired whether lump sum contracts increase or lower the rate of production, and would lump sum contracts alleviate the manpower shortage.

I surmise that fixed-price contracts are unquestionably the most desirable kind and that in the face of the fact that it is true that we have a very large number of cost-plus-fixed-fee contracts to deal with in the air frame industry particularly. I think it would be highly desirable if they could all be fixed-price contracts. I don't think they can be. I certainly don't believe they could possibly have been under the conditions that prevailed, until very recently. There was no basic

data on which to base fixed prices until very recently. Concerns that built a few hundred planes a year were given contracts to build thousands of planes. The designs of those planes were not frozen when they set up plants to do it. I don't think that it was humanly possible to have gotten up fixed prices that would stand, that would have been fair to the contractor and the taxpayer.

Some manufacturers have elected, as time went on and they had cost data, to request fixed price. In other words, the manufacturers themselves were perfectly willing to take fixed price when there was basic data available to make that feasible.

Senator FERGUSON. Mr. Wilson, where they did that, did you find any difference in the requirements of manpower?

Mr. WILSON. Yes. In one case there was a very smoothly working operation where there was a fixed-price contract involved, as compared with another operation adjacent to it where there was a cost-plus-fixed-fee. But I don't believe that I would place too much weight on that, because in the case of the fixed-price contract the manufacturer had been making that particular kind of plane for 3 years; he knew how to make it, and he had organized well. In the case of the manufacturer who was on a cost-plus-fixed-fee basis, there admittedly was some confusion and nonutilization of labor; it was a new job to them, and he hadn't worked out efficient methods, naturally. When that job is 3 years old, he will probably be doing just as well with it as he is with the fixed-price job. That particular manufacturer wants to get over to a fixed-price basis on this new job just as quickly as he can, but he hasn't the basic data to do it today.

Senator BALL. Mr. Wilson, as long as the Government has the authority, and uses it, to renegotiate a contract after it is finished on the basis of cost plus a percentage of cost, which is the way they are doing it, have you any such thing as a fixed-price contract?

Mr. WILSON. No; you really haven't, of course, because it is a fixed-price subject to taking all the—

Senator BALL (interposing). We are talking on the assumption that if you give a man a fixed price, then you are giving him an incentive to reduce his cost. Then the Renegotiation Board comes along and, if he reduces his cost, they cut his profits down so that he is still making cost-plus-a-fixed fee, only his costs were lower, so his fixed fee is less.

Mr. WILSON. That is true.

Senator WALLGREN. Mr. Wilson, in the matter of manufacture of planes, there is a constant change in design?

Mr. WILSON. That is right.

Senator WALLGREN. Regardless of whether or not the plane is proving itself on the fighting front?

Mr. WILSON. That is right.

Senator WALLGREN. The P-38 today—I think we have about the ninth model of that in operation?

Mr. WILSON. That is right.

Senator WALLGREN. How could we work out a fixed price there?

Mr. WILSON. Well, of course, it isn't easy, nor is it impossible. I think that is a pretty good illustration, that the Lightning, from a year ago, from the design of, say, a year ago, admittedly there would be a very considerable change in the price, assuming that had been on a

fixed-price basis. I wouldn't say that the changes that were made, however, could not have been evaluated upward and downward and a fixed price arrived at.

Senator WALLGREN. For instance, recently you have stepped up the power on the P-38.

Mr. WILSON. That is right.

Senator WALLGREN. To such a point that you have had to make a complete change in the way the supercharger was installed.

Mr. WILSON. That is right.

Senator WALLGREN. That incurred considerable expense to the factories trying to do that?

Mr. WILSON. Oh, yes. You would have to evaluate it and change the price. There is no question about that. It would have made a difference of thousands of dollars per plane, but you do that in ordinary business many, many times. It is harder to do it under these conditions—certainly harder to do it in a new industry like this, which is just learning its mass production lessons and so on, and where it hasn't the basic cost data of years' standing to guide it and aid it. It is hard, but not impossible.

Senator KILGORE. In other words, Mr. Wilson, airplane construction has changed from what you might call a custom-made job to assembly-line methods, and the question is, Has it been educated sufficiently on the new methods so that it can properly evaluate them?

Mr. WILSON. How could it, Senator, in a few years? I don't think it could possibly be.

Senator WALLGREN. When it comes to a question of modification of these planes, too, of course, I suppose the Government figures the contract price on that plane at the time it leaves the factory, and the Army does the modification, is that right?

Mr. WILSON. That is right.

Senator WALLGREN. The Army sustains all that cost of modification?

Mr. WILSON. That is right. They either do it themselves—they either modify it themselves or they have the manufacturer operate a modification center and make the new changes that they regard as desirable.

Senator FERGUSON. Mr. Wilson, have the Army contracting officers and also the Navy's really been looking into it to see when they go from a cost plus to a fixed fee? Has that been properly taken care of?

Mr. WILSON. I know that—

Senator KILGORE (interposing). Wait a minute. Pardon me, Senator. Let's get that straightened out. Instead of fixed fee, let's call that unit price, because as Senator Ball has said, it isn't a fixed fee, and it isn't fixed price; it is a unit price.

Senator FERGUSON. Well, you understand the different contracts.

Mr. WILSON. Yes; I know that they have had—I am thinking of the Air Corps, particularly. They have given consideration to a number of suggested changes along that line, Senator. I think they have been estopped in a number of cases by the difficulties of the changes contemplated. About each time that it looked as if some manufacturers had reached a point where you might go to a fixed price basis, then along came a flood of changes dictated by the demands from the various theaters of war for the changes, and so they have gone along with the

present method. There is no question. The impetus has been to get the planes at any price.

Senator BALL. Assuming that if you can get a contractor on a fixed-price basis, that you then give him a real incentive to utilize manpower and materials more efficiently and thereby reduce his costs, and also relieve the manpower shortage, doesn't it seem to you that that could be really effective only if, when the procurement agency decides they have enough cost data to negotiate a fixed-price contract, they then specifically, in the contract, provide that it is not subject to renegotiation, so the contractor knows where he is at? And isn't it still on a cost-plus or a percentage-of-cost basis?

Mr. WILSON. That would be the ideal arrangement.

Senator BALL. Isn't that the only way that you actually give them an incentive to cut costs?

Mr. WILSON. That would provide the maximum incentive, there is no question of that.

Senator BALL. Aren't there actually thousands of items they are procuring on which they do have enough data to do that today?

Mr. WILSON. I judge there are. There probably would still be the question of whether they believe the manufacturer knows what the reaching of anything approaching maximum efficiency is going to do to his cost, and what the profit is going to be, accordingly. Therefore, I surmise that that is the thing that makes them hesitant about taking out the renegotiation clause.

Senator BALL. Oh, sure. Now and then they are going to negotiate a fixed price that will give—and some guy will go out and do an outstanding job and make a big profit, and the contracting officer who made the contract probably says it is a black mark on his record, but we are trying to look at the over-all picture.

Every industry is yelling about a manpower shortage, and it strikes me that if you could really get more fixed-price contracts that were really fixed price, that would stand, that wouldn't be renegotiated, it would be the healthiest thing we could have really to relieve that manpower shortage.

Mr. WILSON. The more of it you can have the better, the more incentive there would be.

Senator BALL. Of course, it might now and then mean that somebody would make more profit than they wanted them to make, but that is one of the risks of the business. Also, here, now and then, there would be a contractor who went broke.

Mr. WILSON. Right.

The CHAIRMAN. What is the next question, Mr. Wilson?

INCENTIVE WAGE PLAN FOR WAR PRODUCTION

Mr. WILSON. Are wage-incentive plans feasible for war production? If so, what steps have been taken to install such plans?

I think, there, that they are feasible; they are being widely used. Of course, they have always been widely used. I think there has been an increased use of them in the last 6 months, if you please. I know of between three and four hundred companies that have installed varying kinds of production-incentive plans in that period, and they appear to be bringing about satisfactory results. Varying increases in production, from 10 to 30 percent, are not unusual as a result of these incentive

plans, and there is more interest today on the part of some of the manufacturers who didn't think they were feasible for their particular industries than we have had previously. And it may be that from this point forth, we shall be able to get even the air frame industry—which has not been particularly interested in it—get them to use incentive systems.

Two of the companies have already; one has a plan in use; another one has applied to the War Labor Board for permission to use it, and there is interest on the part of a couple more.

Senator WALLGREN. Mr. Wilson, what do you think about the plan that has been offered by one plane plant for this incentive wage to be paid after the war? The trouble up to now has been that when a man found that he had accumulated an additional little fund, he would lay off and go on a vacation or a trip or something of that sort. This idea, to let his incentive wage pile up, that is, the increase, and pay it to him after the emergency?

Mr. WILSON. From a social standpoint, it is obviously pretty good. From a practical standpoint, unless it was widely used and widely accepted both by labor and by industry, I don't think it will be very good in the case that you are speaking of, because the manufacturer who made it on that basis, obviously, would be at a serious handicap as compared with the manufacturer who paid the incentive wage every month.

Senator WALLGREN. I know, but couldn't you make it general?

Mr. WILSON. From the social standpoint, I think it has possibilities.

Senator WALLGREN. We lay that down as a formula for the paying of an incentive wage.

Mr. WILSON. It has possibilities.

Senator WALLGREN. It could be paid in bonds or something like that.

Mr. WILSON. It has been suggested that it be paid in bonds, but no matter how it be paid, it has been suggested that it be paid at the end of the war period, tiding over some to help. Socially, I think it has possibilities, but it would have to be pretty widely used, or else manufacturers who tried to sell it would have trouble.

Senator WALLGREN. You have taken a look at Douglas's plan?

Mr. WILSON. I have; yes, I have.

Senator WALLGREN. What do you think of that?

Mr. WILSON. That is the one I was thinking of, and my answer went to that. If it was widely accepted by labor and industry, it would be good. He couldn't compete with that plan. That is, he couldn't take that plan and compete with the manufacturer who was paying every month. Of that I am quite sure.

Senator KILGORE. But it would create a saving to be used in the post-war period when there may be a falling off of work in that particular industry.

Mr. WILSON. Oh, yes; that is right.

Senator BALL. Oh, yes; that is right. Have you any knowledge, Mr. Wilson, of how widely incentive wages for increased production per man are used in Canada, Britain, and Russia?

Mr. WILSON. No; I haven't. I haven't.

Senator BALL. I have seen some reports that Russia uses it almost throughout industry.

Mr. WILSON. Yes; but I don't think they are quite the same as our incentive plans. They provide a little more money and a little more food and things of that kind. Those are the incentives. I don't know enough about them.

Senator WALLGREN. Do you know whether anybody has made any effort at all to have labor accept that plan?

Mr. WILSON. This Douglas plan, for example?

Senator WALLGREN. Yes. So that we could have it as a general plan, a formula of paying incentive wages.

Mr. WILSON. There is no effort that has been made except to a local group out there. That plan is going to be submitted at the first meeting of a group that has been proposed that we set up here in Washington, or that the War Production Board sponsor a group of the top labor people in the aircraft industry, both A. F. of L. and C. I. O., with a group of manufacturers to sit down and consider together such schemes as that, general labor conditions in that industry, general production conditions in the industry. That is being submitted, that idea is being submitted, to the manufacturers, labor has already met on it, and if that kind of group comes together—as I rather believe they may—then that Douglas scheme you speak of is to be submitted to them for their consideration. It is thought that will be a good springboard for it.

The CHAIRMAN. What is the next?

QUESTION OF ADVANCE NOTICE OF CONTRACT TERMINATION

Mr. WILSON. On the contract termination, Mr. Chairman, that is an item on which I would like to submit a brief, if it meets with your approval. I find that a very profound subject, and I don't feel capable of outlining my views on that without more time for study, and I have prepared a brief on it. I am not at all satisfied with it. I would like to prepare a brief and give you an answer to it.

The CHAIRMAN. That will be perfectly all right.

Mr. WILSON. The next one is, is it possible to plan war production so as to give advance notice of termination? And how important is such notice to industry?

I believe that we are approaching the time when we can give advance notice to industry and to segments of industry, and I believe that that notice is very important. What they can do with such notice, of course, will depend, as I see it, largely on the conditions that prevail at the time that such notice can be given. I mean the conditions of the war effort and how things are going and so on.

Are the estimates of requirements by the services made realistically in such a manner as to enable the War Production Board and industry to make practical, long-range plans for termination and reconversion?

Well, of course, there is obviously a considerable amount of realism coming into the picture today with the very substantial cut-backs which will, as they change their plans, enable the War Production Board, possibly, to speed up the time that it can give notice of the reconversion possibilities.

Are inventories of basic materials increasing? And if so, what steps can be taken to prevent war industries from building up excessive inventories?

Inventories of basic materials within industries are not increasing very substantially. The industries, the contractors themselves, are watching these inventories of raw materials very carefully, very properly so, in my judgment. They obviously don't want to be caught with inventories beyond their contract requirements, so that I don't believe the basic materials inventories are increasing unduly.

The CHAIRMAN. The total over-all figure on them, though?

Mr. WILSON. Is up.

The CHAIRMAN. As we have been able to find it, is considerably up from what it was in the ordinary peace.

Mr. WILSON. Up by probably around \$5,000,000,000, approximately. But of course our production is up many hundred percent, so, therefore, it is obvious that this figure would be up. But I don't think it is unduly high in consideration of the volume of business that they are currently handling and turning out.

Senator FERGUSON. Mr. Wilson, can't you control it by your—

Mr. WILSON (interposing). Controlled Materials Plan, C. M. P.? Yes, sir. We are watching it, and with the operation of the 60-day clause, or in the cases where that has been modified for practical reasons, even to the 120-day clause in the C. M. P., I think it is having the effect of maintaining those inventories on a reasonable basis, considering present volume.

Senator FERGUSON. You believe that plan is such that you can control it if you desire to control it at a particular point?

Mr. WILSON. Yes; I do. Generally speaking, I believe the plan controls it.

Mr. FULTON. Generally speaking, some of your most basic and important commodities are getting relatively free at the present time?

Mr. WILSON. That is right.

Mr. FULTON. Copper, I noticed, you are adding to your inventories.

Mr. WILSON. That is right.

Mr. FULTON. At a rather astonishing rate.

Mr. WILSON. That is right, and the same thing with aluminum, and indeed even with steel, although I have to be careful about that statement when I say that, because, while basic steel is in good supply, it is true that there are a few categories of fabricated steel in which we still have shortages; for example, plates. We are catching up with them, and we have new facilities coming in that will overcome those shortages, in the next 6 months, but generally speaking, all the basic materials are now in good supply. In other words, supply and requirements are in good balance.

Mr. FULTON. We have gone through the thing of machine tools being extremely critical and then becoming relatively free?

Mr. WILSON. Right.

Mr. FULTON. Now the materials are in the same category, in the manpower stage.

Mr. WILSON. That is right.

Mr. FULTON. But if we carry on real efficiency, we can get out of that manpower stage in not too many months in the future?

Mr. WILSON. Right.

Mr. FULTON. So that that again emphasizes, say, a manufacturer would be patriotic rather than unpatriotic, who tried to make some worth-while plans, as long as he didn't ruin some war program?

Mr. WILSON. Absolutely.

Mr. FULTON. For the future, because he would thereby be reducing the time lag necessary to get back into business and provide jobs for returning soldiers?

Mr. WILSON. Entirely right. My only point—I hope I didn't make a statement that led you to believe that I didn't believe that many of the manufacturers ought to go ahead with that. All I am hoping for is the right timing of this so that we won't get an industry—because I surmise in the last analysis that much of this will be done at industry levels, and I think it should be, indeed—that we don't go off on a planning spree that will use large amounts of technical labor, particularly before there is assurance that that labor can be spared from essential war production. It is just a matter of timing.

Mr. FULTON. At the same time, when we converted from peace industry to war industry, all those companies had in effect an unlimited customer who was ready to pay whatever the cost might be.

Mr. WILSON. That is right.

Mr. FULTON. And even so, it was a difficult and a time-consuming process. The reconversion will be much more difficult, much more risky to industry, will it not?

Mr. WILSON. Certainly it will, because he is now going back and trying to pick up his mass customers.

The CHAIRMAN. He won't have one customer to keep him going while he is doing that. That is the thing that worries me.

Mr. FULTON. So he needs as much advance notice as he can get, and as much opportunity to do what you might term necessary ground work.

Mr. WILSON. That is right.

Mr. FULTON. As president of General Electric, could you tell us whether that company is working on that kind of program?

Mr. WILSON. I haven't the slightest idea. I haven't had any contact with the General Electric Co. in 14 months. Believe it or not, I even steered away from General Electric people. I haven't seen them. I don't know anything about their plans. I hope one of these days shortly to go back and get in the plans, but I haven't yet.

The CHAIRMAN. One of your vice presidents was in to see me yesterday and said he hoped you would hurry up and come back, and I said I hoped you would not go back until the war is over. Rather a difference of opinion.

PROBLEMS OF CONVERSION FROM WAR PRODUCTION

The CHAIRMAN. What is the next question, Mr. Wilson?

Mr. WILSON. After that statement of yours, I am glad to take the next question up, Senator.

The CHAIRMAN. What problems will be involved in clearing the factories for the production of peacetime goods, and what progress has been made in evolving procedures to accomplish this?

That was the point I covered before, that I thought we ought to.

Can any steps be taken now to obtain orders or devise marketing procedures that will assist in reconverting industry?

I don't know whether I would say now, but I think there will come a time, and I don't believe it is very far off, regardless of the state of our war with Germany, that industry should have the opportunity—

industry and commerce—to plan in their respective lines. I would hope that they would be encouraged, indeed, to make very definite plans with respect to the quantities of the major consumer goods products that they are going to make just as soon as the Government is able to give them the green light. Maybe it ought to be done on varying bases; that is, when Germany is knocked out, we go ahead on one part of the plan, which would be to permit commerce and industry to get together on orders for large quantities of automobiles and all the household consumer goods and soft goods, and so on, on one scale; and then of course a plan leading up to when the full green light could be given at some later date when Japan is knocked out. My point is that I believe that if commerce and industry can be encouraged to make up reasonably definite plans—commerce, call it retailers and wholesalers—getting their actual orders in, tentative orders if you please, which in the aggregate would, I should think, cover billions of dollars' worth of goods, so that the manufacturers, on getting the green light, would be in position to proceed with post-war production, I believe we would thus strengthen our post-war economy very much quicker than if they have to wait for some event a year hence and then go through the throes of finding out what they are going to make and how much they are going to make.

I believe a great deal of that can be done without any interference with war production at almost any time from this point forth.

Then there would come, assuming now that industry generally had those tentative orders, presumably orders which became effective when the Government announced certain stages that we could go ahead, industry could go ahead with, let us say, 50 percent of consumer goods, hard goods, then the orders became effective and the manufacturers could proceed. I believe that would save a great deal of time. It would give the manufacturers a line on what they had to look forward to, and I should think it would be encouraging to the vast army of wholesalers and retailers who haven't, of course, at the present time very much to sell and who I think would be perfectly willing to cooperate in trying to make up post-war orders which would become effective whenever these days were announced.

Mr. FULTON. That would have the effect of reducing capital requirements by more or less assuring the manufacturer of a quick market and he wouldn't have to carry the goods longer than a given specified period.

Mr. WILSON. The manufacturer would know what he had to look forward to, and it would have that effect because it would give him a quick market for his goods.

Mr. FULTON. But wouldn't the wholesaler and retailer have to know something of the nature of the products the manufacturer intended to offer, or are you referring to more or less standardized articles?

Mr. WILSON. Well, it seems to me that that is where the manufacturers and the wholesalers and the retailers get together. I think the time is fast approaching when that getting together is warranted, and determination made, as far as it is possible to do. It will be a spotty sort of thing, I admit, but they ought to have some idea of what they are going to get at the interim stage and what they will get later on, and I should think the manufacturers ought to have some idea of what the retailers and wholesalers are willing to accept in the way of

interim models—I am thinking, for example, of the case of household appliances, which is a tremendous business in this country. I believe that it would be possible for them to get together and get a pretty good line on what would be acceptable to the American people, and in what quantities they need them.

Mr. FULTON. That would have to be done under the auspices of some Federal organization or it would probably run counter to the antitrust law, would it not?

Mr. WILSON. Yes; that is one of the reasons I think it might be promoted by the industry branches of the existing agency, W. P. B. They might promote that sort of thing in the interest of smoothing the way for industry to get going in the post-war era.

Mr. FULTON. Would there be a function for the Office of Civilian Defense in that, or are they doing anything along that line?

Mr. WILSON. O. C. R., you mean, Civilian Requirements?

Mr. FULTON. I thought it was titled Office of Civilian Defense, the civilian agency, claimant agency.

Mr. WILSON. Within W. P. B.?

Mr. FULTON. Formerly within W. P. B.

Mr. WILSON. Yes; I would have them spark plug the thing, as far as I am concerned. I believe they could do it.

Mr. FULTON. Are you planning anything along that line?

Mr. WILSON. Yes; and operate through the industry branches.

The CHAIRMAN. Proceed, Mr. Wilson.

Mr. WILSON. The only other question you had on here, Senator, is about the working capital for industry and the determination as to which plant facilities shall be sold, and the terms at which they should be sold.

The CHAIRMAN. Which you discussed to some extent awhile ago?

Mr. WILSON. I will be glad in the memorandum which I would like to submit to you to cover that further, if that meets with your approval.

The CHAIRMAN. Thank you, Mr. Wilson. I appreciate that.

Senator FERGUSON. There is one question I would like to ask. Mr. Wilson, is there anything being done along the line of inventorying the surpluses of machine tools and machines of different kinds, so that as we get these surpluses in one industry other industries can take them over?

Mr. WILSON. There is a good deal being done, Senator. The Machine Tool Branch has very good inventories of that, and they are making a great many transfers, switching from one industry to another. They have very good records of the inventories of tools that are available for transfer. As plants go down through cut-backs or termination of contracts for any reason the machine tools are inventoried and an effort is made to use them in place, if possible, of the machine tools that were ordered new.

Senator FERGUSON. Do you know whether they have inventories of surpluses where they are not taking the industry out of the particular business where they purchased too much because—

Mr. WILSON (interposing). Where they bought too many machine tools?

Senator FERGUSON. Yes; do you know whether they have inventories today, whether or not one department can go and find these surpluses?

Mr. WILSON. Yes; they have them at the level of the Machine Tool Branch of W. P. B., and they are able to advise the various procurement agencies, and so on, of the tools that are available. I have no idea, Senator, that they have a complete list of the tools that have been ordered in good faith and found to be unnecessary. They have some idea of it, but I have no idea at all that they have a complete list. In many plants they don't have too many tools, undoubtedly.

Senator HATCH. Mr. Wilson, I was interested in what you said about converting to peacetime production. Do I understand you correctly that your first step is for the manufacturers now, for industry, to be getting models so the public will know what will be available?

Mr. WILSON. Not to agree as an industry, Senator, but I believe a manufacturer should reach the stage where a manufacturer, for example, would agree with his wholesalers and retailers on models, and then the manufacturers, I believe, should get together through the industry branches to have determined for them what they can do, when they can proceed to make their models. They are not determining together what industry they are going to bring out, but after they have come to an agreement with their distributors and retailers that they need X number of, say, refrigerators, they come together as an industry and put that all together; that in the first year of manufacture they may want, we'll say, 5,000,000. There is where the industry branch operates to make clear to them whether they can have material for 5,000,000, whether they can have labor for 5,000,000. Those are the steps in it, as I see them.

Senator HATCH. They are all rather difficult steps to be taken, but they should be taken if it can be worked out, of course.

Mr. WILSON. I think we are going to have delays if we don't take them. They are difficult; yes, sir.

Senator HATCH. Suppose you can work out a plan like that, what effect will it have on present labor relations? Will it give encouragement to labor, or would it make them fear that we are going into another depression and labor would not have employment?

Mr. WILSON. I should think labor would be encouraged by it, sir, because if labor knew that industry and commerce were striving together to bring out workable plans that would put labor back in a hurry—and remember that labor in this case goes down to the millions of men who are employed in these shops of the retailers and wholesalers—that surely would encourage them. I think it would be very encouraging to labor over-all.

Senator HATCH. Also, it would have a good effect on present labor relations, would it not?

Mr. WILSON. It certainly couldn't affect it adversely, sir.

Senator WALLGREN. Mr. Wilson, when this war started we tried to do in a couple of years what Germany had taken about 10 years to do, as far as production is concerned. Is there any evidence of any possibility of tapering off in this program, easing off in this production program?

Mr. WILSON. You mean on the part of—

Senator WALLGREN. (interposing). Are we still going to have to maintain this rapid rate we have been maintaining for the past three years. Once we set a schedule of 120,000 planes a year, so many thousands tanks, so many guns, cartridges, so many implements of

warfare, does it appear to you as if there is any possibility of easing off in any of those plans?

Mr. WILSON. Yes; I think there is. I think the reason for the easing off is largely the filling up of piles of capital goods, and in the case of planes, while we talked about 120,000 planes a year, of course we have not attained that. We are only running at the rate of about 105,000. I think the Army are trying to determine whether they want more than that or less than that.

Senator WALLGREN. It is my understanding, and the Committee has been informed, that certain plants in the country are not working at full capacity at the present time; plants that heretofore have been manufacturing tanks.

Mr. WILSON. Thanks; that is right. That is because of the fluidity of war, again, and they find they do not need as many tanks in these operations as they thought.

Senator WALLGREN. I understand that obtains, too, with other implements of war.

Mr. WILSON. That is right. I think in a war of this magnitude that is certainly bound to occur. I do not see how human beings, with all the best skills you can get together, could be otherwise.

Mr. FULTON. Mr. Wilson, do you think it is all fluidity and skill, or are there errors in some of the plants that are operating at less than 60 percent of designed capacity?

Mr. WILSON. There are human beings in it, and I surmise there are errors; perhaps a lot of them.

The CHAIRMAN. That is all, Mr. Wilson.

TESTIMONY OF K. T. KELLER, PRESIDENT, CHRYSLER CORPORATION

The CHAIRMAN. Will you identify yourself for this record?

Mr. KELLER. I am president of the Chrysler Corporation.

The CHAIRMAN. Your initials?

Mr. KELLER. K. T.

PRODUCTION RECORD OF CHRYSLER CORPORATION

The CHAIRMAN. You heard the things in which this committee is interested, from our questions and conversations with Mr. Wilson. You were one of the biggest manufacturers in the United States in peacetime and are doing one of the big war jobs for the country. What can you tell us along the same lines Mr. Wilson informed us from a practical, on-the-ground standpoint?

Mr. KELLER. Senator Truman, I know most about the Chrysler Corporation and very little about the general situation.

The CHAIRMAN. That is all right. That is what we want you to talk about—the thing you know about, practically.

Mr. KELLER. Perhaps as background I had better give you the size and scope of the war effort of the Chrysler Corporation.

The CHAIRMAN. That is all right.

Mr. KELLER. The figures and facts I will give you are for the United States plants only and not for any foreign plants in Canada, England, and other countries. We have 20 plants in use. We are using 17 million square feet of Chrysler-owned property. We are renting

11½ million square feet from other private owners. We are operating 111½ million feet of Government-owned property, put up especially for the war. That makes 30 million square feet in total use. This property is on thirty-three hundred acres of Chrysler-owned land and eleven hundred acres of Government-owned land. Of course, the plants we rent are on land owned by the people from whom we rent them.

In addition to the above acreage we have a contract to operate an ordnance depot that has 23,000 acres. That is only a management contract and I do not think the area is significant. At the present time we have 106,600 employees. At the end of 1941 we had 71,600.

Now; we have negotiated 195 Government war contracts, some are supply and some facility; 103 of these contracts are completed. Naturally, they are the smaller facility contracts. We have 92 contracts in force at the present time. Our total contractual arrangements with the Government from the beginning of this emergency have amounted to \$2,917,000,000, and these 103 completed contracts amounted to \$264,000,000, so we have in force uncompleted contracts with a total face value of \$2,653,000,000, and on these contracts that are still in force we have filled \$1,250,000,000 of the contracts, and we still have unfilled \$1,400,000,000.

On these in force contracts—these 92—we have \$56,000,000 in accounts receivable—that is, in vouchers outstanding in the hands of the Government. We have \$467,000,000 in commitments with suppliers, and \$134,000,000 of inventory in our plants. That is a productive material inventory. In addition to that, we are custodians of \$228,000,000 of Government facilities.

Now, these contracts divide as follows: With the Army we have \$1,243,000,000 of fixed price contracts, and \$880,000,000 of fixed fee contracts. With the Navy we have \$15,000,000 of fixed price and \$326,000,000 of fixed fee. With the Defense Plant Corporation we have \$189,000,000 of cost, no fee. So that adds up to \$1,258,000,000 of fixed price contracts and \$1,206,000,000 of fixed fee contracts, and \$189,000,000 of cost, no fee, contracts.

To split that up by the services means that our contracts with the Army amount to \$2,123,000,000 and with the Navy to \$341,000,000, and with the Defense Plants Corporation, \$189,000,000, which you will find will total to the \$2,653,000,000.

Now, of course, one of the important things is to get your money. We currently, as of the end of September, are working on fee contracts with a face value of \$1,206,000,000. We had \$46,000,000 in billing preparation in our own accounting departments. This money has been spent and bills are being prepared to be passed over to the services. We have billed \$381,000,000 to the services: We have had 359 million of that 381 audited by the services, which clears it for payment, and 128 million of the 381 million billed has been audited by the General Accounting Office. In working these contracts they are not treated as whole units but are broken down for various plants. In most cases they are distributed throughout our plants, so that as many as five or six of our plants will be working on one of the contracts.

The CHAIRMAN. You have a lot of subcontractors in addition to that?

Mr. KELLER. Oh, yes, sir, but take our Dodge plant, for instance—

Senator BALL (interposing). May I go back to that 281 million figure that you billed the Government? Have you any of that yet?

Mr. KELLER. Oh, yes; we have gotten a great deal of it. I think we have only 56 million of outstanding vouchers, accounts receivable from the Government.

Senator BALL. They pay before it is audited by the General Accounting Office?

Mr. KELLER. Yes, they do; but that does not mean we keep the money. That is one of our problems, although I think we are in pretty fair shape in the General Accounting Office considering the whole problem.

Senator BALL. The 56 millions of accounts receivable, plus the 134 millions of inventory, add up to about 200 million that you have representing liquid capital in the contracts.

Mr. KELLER. Of course, we have a lot of equipment and buildings in this thing, too. You mean fluid capital?

Senator BALL. That is in inventory and finished goods for which you have not been paid.

Mr. KELLER. As of a certain date, yes. They stand for just what they are: 56 millions of vouchers, of course, that we have outstanding to be paid. There are 46 million in billings that have not been submitted to the services yet.

Senator BALL. That is not included in the 134?

Mr. KELLER. Not necessarily, because some of the stuff comes in and is used quickly.

Senator BALL. I was trying to get a picture as to how much your company would have tied up in inventory and finished goods if your contract were suddenly canceled tomorrow.

Mr. KELLER. I am not prepared to give that. That is quite a study. You could only get it if you surveyed your commitments. Our commitments to suppliers are \$467,000,000, so what proportion of that would—

Senator BALL (interposing). Are those commitments at all contingent on your contracts remaining in force? Can you cancel your commitments if the Government cancels?

Mr. KELLER. They carry about the same provisions that our contracts carry, of course. We try to control them so that the suppliers do not run out the whole \$467,000,000 at one time, and a survey we made some time ago indicated that their physical work in process represented about half the commitment. As we get near the end of the picture that will change and, of course, that 467 million, as far as the suppliers are concerned, does not go back to the beginning of the contract. That is current.

Senator BALL. Then you have 230 millions of inventory in your suppliers and something over 200 million in your own plant?

Mr. KELLER. I could not say that definitely. You can assume that.

Senator BALL. In other words, about 500 millions of work in progress?

Mr. KELLER. I would say that is right, quite roughly.

Senator WALLGREN. Mr. Keller, how does your wartime operation, as far as volume is concerned, compare with your peacetime business?

Mr. KELLER. I think in our last statement we were running at the rate of 900 millions a year. We have had peacetime operations running that large.

Senator WALLGREN. Your industry has not been blown up as much as some?

Mr. KELLER. Not on dollar value, but the type of our industry is completely changed.

Senator WALLGREN. Did you give us a figure as to how many employees you have?

Mr. KELLER. One hundred and six thousand six hundred, as against seventy-one thousand six hundred.

Senator WALLGREN. I see.

Mr. KELLER. To give you some idea as to how this work is distributed physically through these plants, in the Dodge plant they are operating on 16 fee contracts and 22 price contracts. The Chrysler plant is operating on 5 fee and 15 price contracts. DeSoto has 3 fee and 3 price. Plymouth has 4 fee and 1 price. Engineering is working at the present time on 12 fee and 23 price contracts. Evansville has 2 fee and no fixed price, and at the California plant there are no fee contracts and 6 price contracts.

The CHAIRMAN. Are you having the same manpower trouble all the rest of the plants are having?

Mr. KELLER. Look at our record with the War Labor Board and you will know we have had some trouble.

The CHAIRMAN. I mean obtaining the necessary manpower to keep the plants in operation.

Mr. KELLER. We have some spotty situations on that, but we manage to get over them. It is not a comfortable situation.

Mr. FULTON. Will you tell us something of the nature of the changes that have had to be made in the business done by the company. I don't mean dollarwise.

Mr. KELLER. I think this next item will give you a pretty fair example. We own 20,665 machine tools, and we converted 17,909 of those tools to war work. Some of those conversions meant as much as 1,000 hours of work per machine to convert them.

Mr. FULTON. That means also that many of them have had their locations changed.

Mr. KELLER. They are all moved; yes, sir. We haven't anything that looks like an automobile line any more; 2,347 of our pieces of equipment that could not be converted to any of the war work that came along, and no other supplier came and asked for them, even though they were listed, and you can readily understand that they are fixed center drills of a particular pattern, and things of that nature.

In addition to that we have 19,277 machine tools that are owned by the Government, so you can see from a machine shop standpoint that our work is doubled.

Mr. FULTON. You succeeded in making a really very high conversion, percentage-wise, of your tools to Government work.

Mr. KELLER. We think we did a splendid job on that.

Mr. FULTON. That must be about 60 percent?

Mr. KELLER. It runs around 89 percent.

PROBLEMS OF CONVERSION FROM WAR PRODUCTION

Senator FERGUSON. Can you do the same thing in converting to civilian production if you have the time?

Mr. KELLER. Yes, sir; we can convert those machines back to civilian production.

Mr. FULTON. Did you also have the problem as to how many of those 19,000 Government machines would be of use to you or how many you could acquire or under what terms?

Mr. KELLER. That is a very important thing. You might be interested to know that of these 19,000 Government-owned machines, 8,980 are on Chrysler automobile floor space; 1,857 are in the tank arsenal, and 8,438 are in the Dodge Chicago plant.

Senator FERGUSON. In other words, Mr. Keller, if you couldn't get these Government machines moved out of the way for work on your peacetime industry, you'd be—

Mr. KELLER. We'd be in a hell of a shape. You might be interested to know that to store these 8,900 machines will take $2\frac{3}{4}$ million square feet of floor space.

Senator BALL. And that is just 8,000 of them?

Mr. KELLER. Practically 9,000 in our automobile space alone in Detroit and Evansville, and that would take $2\frac{3}{4}$ million square feet of floor space, so when you talk about using aircraft plants for storing machine tools, you haven't scratched the surfaces.

Mr. FULTON. That's just storing them?

Mr. KELLER. Leaving enough aisle room to get in and look at them.

Senator FERGUSON. The actual taking them out is an enormous job.

Mr. KELLER. It will cost \$3,000,000 to gather them together, put them on skids and move them to a storage warehouse.

Mr. FULTON. Have there been any discussions between the company and the War or Navy Departments, or could there be any, that might be helpful in determining how to dispose of those tools?

Mr. KELLER. We have had office discussions and a questionnaire from the Ordnance Department with regard to the tank arsenal, and General Campbell and I had a discussion. He asked me sometime ago whether I had any ideas on this equipment. Of course, that brings me to my pet subject, and that is that I certainly hope we can find a way to handle the physical phases of this reconversion just as soon as they can be handled, without perhaps so much relation to the total problem. I happen to have been one of the boys that had to work diligently settling some corporation contracts with the Government after cancelation after the last war, and the program of getting inventories and getting a full claim filed and then having it passed on before you can begin to move anything, certainly dams up the stream. But with that in view, I outlined a very simple program, for instance, on machine tools.

Now, when you bear in mind that it will cost you an average of around \$300 to pick up a machine, get all of its parts together, clean it up and put it in order for storing, skid it, move it, load it or put it in another warehouse, there is quite a bit of money involved in a program of that kind. I think that some places will no doubt have a lesser problem, some places where you have mostly light equipment that would not cost anywhere near that figure. But taking the average of our Government-owned equipment, we figure it will average up about \$300 a machine—maybe a little more.

It would seem to me that the Government could determine right now a fair price for these machines and sell a lot of this equipment without hurting the war effort. These machine tools run into two classes: One so-called standard, or machines that are adaptable to most any line of manufacture; and then, of course, the highly specialized machines like the gun barrel drilling machines that industry in general would have no use for. But if the services could determine on a fair price at which this equipment could be sold, I think we would be willing to pick out the equipment, the machines that we would like to retain in our industry, thereby perhaps releasing machine tools of much older vintage. Many of the machine tools could be sold to people who are willing to pay for them now and still leave them on the war contract until it is completed, or as long as the emergency exists.

But if a program could be started so that you could move some of this machinery to the industries now using it, it would take, I think, a lot out of the problem of reconversion and also disposition when the final termination comes.

Mr. FULTON. It would enable you to make your plans for production based on what you really expected to have to work with.

Mr. KELLER. Very much; yes, sir. In some cases, where you work three shifts, you might want to expand your equipment and go on a two-shift basis after the war.

Senator FERGUSON. Mr. Keller, you don't think that the doing of that now would in any way interfere with the war effort?

Mr. KELLER. Not at all, Senator. It would simply mean that certain machinery that is on defense plant or service account at the present time—they are all numbered—would pass over to us, and we would pay for them, but still use them on the job. After the war we would know just exactly which ones we would have to move out and which ones we could keep.

Senator FERGUSON. It would simplify the program?

Mr. KELLER. Yes, sir; and after the war any machinery we didn't take, you could offer to industry in general at those prices.

Mr. FULTON. Or offer it now, after you have indicated your desire not to take it subject to delivery after the war?

Mr. KELLER. The thing you have to do is—and it is very important—the services should make up their minds what they want to retain. I think that is the first thing that should be done.

As a case in point, our tank arsenal was put up with the thought in mind that the Government would have an integrated arsenal where they could develop and build tanks for all time. There seemed to be a deficiency in the general arsenal setup for that kind of activity, and tanks had come to be such a prominent thing in the war effort that the plant was laid out, designed, and equipped with the idea in mind that the Government would continue to keep it as an arsenal. That idea only reached the phase of an expression of the desirable thing to do, and had some influence on the way the contract was written, but as far as I know, there is no definite decision that that is what the Government is going to do.

Of course, with a great increase in production, that plant isn't set up as a well-integrated plant any more. Some of the work of the tank arsenal has been distributed through our own plants. We have about 2,000,000 square feet of our own property on tank work and 1,100,000

feet of Government property, so that the plant should again be laid out. A layout study should be made and machinery selections made from the Government-owned equipment now, that when put back in that plant would make a complete plant so they could keep on with the development and manufacture of tanks in limited quantity.

Mr. FULTON. I suppose fundamentally that would also go for the entire 17,000,000 square feet of Government plant.

Mr. KELLER. It is 111½ million square feet of Government-owned property.

Mr. FULTON. Which you would like to know whether the Government wants to keep or wants to make available for possible purchase.

Mr. KELLER. That is true. Of course, the Dodge Chicago plant takes over half of that in one bite.

Mr. FULTON. That is the big engine plant.

Mr. KELLER. Yes, sir.

Mr. FULTON. Would you have any use for that in civilian work?

Mr. KELLER. I'd hate to answer that question now. I don't know how big civilian work is going to be and I don't know what price they would ask for it.

Mr. FULTON. You would have to be given a lot more information before you could make an intelligent decision in behalf of the company?

Mr. KELLER. Correct; yes, sir.

Mr. FULTON. In general, if you could be told the machine tools you could buy and the terms on which you could buy them you would like to go over those lists, select many of them, reject others, and make them available, to other industrialists who might have some use for them.

Mr. KELLER. That is right; buy them now.

Mr. FULTON. And as far as the plants are concerned, at least it would be helpful if discussions could be entered into to get a little more certainty on the terms on which they might become available?

Mr. KELLER. Correct.

Mr. FULTON. Some of them you might be able to use; some you might not.

Senator KILGORE. For the record, taking the machine tools now on plant space, not on Government-owned space, approximately what percentage of those could be used in your commercial business after the war, leaving out of consideration the Army's determination to use any of them? Of the total number, what percentage would be usable or advantageous?

Mr. KELLER. Senator, that is about the most complicated question you could ask me, because the automobile industry leans to specialized equipment.

Senator KILGORE. I know it does.

Mr. KELLER. And the specialized equipment on the Government stuff is of no use to us because it won't fit the specialized requirements of the automobile set-up, so when you get down to your standard equipment—

Senator KILGORE (interposing). That is what I was after.

Mr. KELLER. And your standard equipment would be largely determined by your need for that type of equipment, your probable use for it and the prices under which you could get it, whether it would pay you to buy it or not.

Senator KILGORE. What I was getting at was the question of utilization of this equipment. In other words, what percentage is adaptable.

Mr. KELLER. We made a quick survey and there was something between three and four thousand machines, Government-owned, that we thought we would like to own if we could get them under the right circumstances. We might expand that if prices were proper and reasonable; we might throw out some. When you get on that shady line of the productivity of the piece of equipment—

Senator KILGORE (interposing). As to whether it is cheaper to make the changes or to buy something new.

Mr. KELLER. That's right.

Senator KILGORE. I realize that, but my question was aimed at the point of how much of this type of machinery we have that is so specialized that it would be uneconomical to attempt to convert it to normal peacetime uses.

Mr. KELLER. I think, so far as our plants are concerned, 75 percent would be economical to use somewhere, but when you get into big boring mills it is a question whether there is enough capacity even to use them unless enough peacetime work can be had, but as a machine and a type of machine they are usable I would say fully 75 percent. That is strictly the machine tools themselves.

Senator KILGORE. That is what I wanted.

Mr. KELLER. I think it would be a great thing for industry in this country as a whole to be modernized. Instead of picking up these machines at around \$300 to move them somewhere, without including freight, and \$300 more to get them out and get them some place where you are going to use them, plus storage, they should be disposed of early so that they will go into the hands of manufacturers all over the United States. It would raise the general level and quality of productivity in this country.

Senator KILGORE. Don't you think it would be good national economy to utilize all this machine-tool equipment that can be done, and distribute it direct from the Government to industry to raise the level of our tooling all over the country from the small shop to the big shop and make it available to everybody if they can use it?

Mr. KELLER. Yes, sir.

Senator KILGORE. And get rid of the junk tools that are turning out inefficient work?

Mr. KELLER. In general that is a good scheme. Otherwise you make that a laborious task by putting them on the market for offer in large blocks.

Senator WALLGREN. However, you will never be able to use all the machines you have.

Mr. KELLER. Why not?

Senator WALLGREN. You have too many of them in all plants in the country.

Mr. KELLER. Do you think so?

Senator WALLGREN. You would think so from the way we have been producing.

Mr. KELLER. I have been working around machine shops for 35 years, even longer than that, and from what I see of some of our suppliers and machine shops in general there is a big need for modernization.

The CHAIRMAN. I think we can use them all.

Mr. KELLER. I think most of the standard tools could be put into use and older machines scrapped and do a better job.

Senator KILGORE. You feel also that this specialized stuff could be well used by an experimental branch of the Army to carry on experimental assembly lines in tanks and self-propelled artillery and things of that kind?

Mr. KELLER. We have 100 and some drilling machines for gun barrels and that's a hell of a lot of drilling machines for the Army for experimental work, but I think the arsenals should be equipped with the most modern machines. It would be a good program to study the arsenals and pick out the machinery they could use for modernizing. When I went to Rock Island I was appalled at some of the equipment used out there. I was in Canada and I looked over a tank plant up there in the early part of the war, and they had machinery there that was obsolete when I started to serve my apprenticeship.

Mr. FULTON. When you say this would modernize plants, you mean in addition to increasing productivity it would have the result that always follows, namely, consumers' goods would be produced in greater volume at less price.

Mr. KELLER. It would make a better quality of output all around. It doesn't take much imagination to realize that a lathe with a hydraulic feed will give you a much finer job than some of the screw type that we have been using for maybe 40 years in this country.

Mr. FULTON. But translating that into meaning for the public, that means people will get better goods for less money, and more of them.

Mr. KELLER. I think there are a lot of other factors that go into what the money value of the goods would amount to, but studying it as a purely equipment problem the country is going to come to it anyway. If you want to have prosperity in the country you can't afford to hold onto obsolete equipment. It's a case of taking the machinery you've got and using it to pick up the country in a year's time instead of letting modernization take 12 or 15 years.

Mr. FULTON. When you speak of a way of selling this and you refer to the complications that would be involved for every different purchase and every different tool if an offer had to be made, have you any suggestion as to some alternative method, as perhaps classifying tools?

Mr. KELLER. These tools are generally known; that is, the tools are known by the manufacturers' nomenclature: No. 1 Cincinnati mill or No. 3 or No. 4 or No. 2 vertical; take a 6 by 38 Norton grinder or Landis grinder and everybody in the industry knows what those things are.

Mr. FULTON. So that you think they could be classified and then priced as a group, rather?

Mr. KELLER. Priced individually. This is what will you take for a machine.

Senator BALL. How would you do that?

Mr. KELLER. I would go back to the pre-war price. I wouldn't attempt to price them on the basis of inflated cost due to excessive overtime and Sunday work, which is around 35 percent or 40 percent increase. I think on those standard tools, according to some observations I have made, 1937 value selling prices were 65 to 70 percent of the current prices, and then there should be some depreciation for the years of use they have had on top of that.

Senator BALL. I was going to ask you this. Internal Revenue have pretty standard rates of depreciation on machine tools; haven't they?

Mr. KELLER. Yes, they have; but don't forget you have got some certificates of necessity that are allowing 20 percent a year depreciation.

Senator BALL. Of course, I think it should be pretty high during the war.

Senator FERGUSON. You have been working them much harder, haven't you?

Mr. KELLER. Oh, yes; we have been working them very hard, and it is a lot different from the average of the general use of machines, and there has been less upkeep on them on account of the manpower situation. It is pretty hard to keep them up.

Senator BALL. Actually it wouldn't be such a tough job for men who know machine tools to fix a pretty standard formula for pricing these machines. I mean you can't go out and price every one individually; you'd go nuts.

Mr. KELLER. It wouldn't be very hard to do, Senator Ball. You wouldn't want to relate it entirely to the price that was paid for them but to the model and size and type, because some of these machines have special kinds of attachments that were fitted to the war that are no use in other production.

The CHAIRMAN. When you do that, what are you going to do to the machine tool industry as an industry?

Mr. KELLER. I think that would be the most helpful thing to do for them, to put these machines into productive use quickly. Certainly I don't believe the temper of the American people will allow you to take good machinery out and scrap it. To do what we have been talking about certainly would be a much better program than we had during the last war when the machines were sold in great blocks to people who got them at scrap prices, stored them and sold some of the most desirable of them and got their money out and then sat with the balance as a blanket over the machine-tool industry for 10 or 15 years.

Senator KILGORE. Wouldn't it be fatal to sell this on a basis of speculation this time and should it not be sold to bona fide users by a governmental agency direct?

Mr. KELLER. Yes, sir.

Senator KILGORE. Isn't that the only safe way to operate the post-war economy on machine tools?

Mr. KELLER. Yes, sir; and I would set a minimum price less than which I would not take. I'd scrap them before I'd take less than the minimum price.

Senator BALL. And make that considerably above the scrap value.

Mr. KELLER. Yes, sir.

Senator BALL. I was interested in that \$300 figure you gave us. That is the average you think it would cost just to get a machine out of your plant. That doesn't include—

Mr. KELLER (interposing). On every Government machine when you get an invoice on it you have some wrenches and chucks and all of these gadgets that go with them. You have to find all of those things and attempt to identify them and to box them up as a unit. I went through this in the last war and I know about the physical problem of doing this job. You have got to gather all that stuff together, clean that machine out thoroughly; you have to grease it and

inspect it and see that everything is with it; you have to skid it; you have to move it to the platform and either load it on a car or have somebody cart it over to an adjacent warehouse, and you have to set it in there, and you have got to get it all together.

Senator BALL. But actually that \$300 would get it out of your plant and into the railroad car.

Mr. KELLER. Into the railroad car; yes.

Senator BALL. It doesn't include transportation?

Mr. KELLER. No transportation except a slight amount of trucking close by.

Senator BALL. Or unloading and setting it in the warehouse?

Mr. KELLER. No, if you put it on a railroad car you have transportation and handling at the other end.

Senator BALL. And transportation would be heavy.

Mr. KELLER. It depends on the distance.

Senator BALL. What I was trying to get at was how much the Government would save in the long run if they had sold those machines to the manufacturer using them as they stand.

Mr. KELLER. They would save the cost of that storage space and that \$300.

Senator BALL. What would be the average storage cost? Have you any idea?

Mr. KELLER. You can divide practically 9,000 machines into $2\frac{3}{4}$ million feet and that will give you your footage area per machine and I don't know what it is worth.

Senator BALL. Warehouse space is about 75 cents to \$1 a foot.

Mr. KELLER. When there is a lot, it is cheap, and when there is none you can't get it for love nor money.

Senator FERGUSON. Mr. Keller, you brought up the question of the future in peacetime. You are optimistic that we can use these machines and have great production in the future? You are not pessimistic on that question?

Mr. KELLER. We were raised in competition. We came into the business in competition and all we want is to start with the gun with the rest of them and we think we can take care of ourselves.

Senator FERGUSON. The future looks all right for the whole country as far as you are concerned?

Mr. KELLER. For the automobile business, anyway. We are going to need a lot of them. In fact, the biggest concern I have is whether we are going to have enough tires to handle them.

Senator FERGUSON. But it will be important that the companies be given an equal start.

Mr. KELLER. The same as a race, yes.

Senator FERGUSON. If you allow the machinery of some contracts to remain and not get out, and allow it to get out of another contract, that would be a serious problem.

Mr. KELLER. I have some things on that that might be of interest to you. In negotiating a lot of contracts of this nature, you run over quite a period of time, naturally, and as we go along they change the plans and new directives come out and different things happen. You may be interested in this. We have four contracts that provide that Government-owned plant equipment cannot be removed for 1 year. We have four contracts which make no provision with respect to facilities. For

the gyro compass and the equipment in the Evansville ordnance plant a 90-day period is allowed before disposal of facilities. We have two contracts providing for a 60-day period. We have three truck contracts that provide that disposition of the material will be at the option of the contracting officer.

Senator FERGUSON. That may take any period of time?

Mr. KELLER. Yes, sir. We have 6 Navy contracts that provide that upon audit and settlement of all claims Government property is to be prepared and shipped at the Government's direction. We have approximately 50 contracts including the tank and most of our truck contracts and the gyro contract that contain no provision with reference to disposition of material. We have 10 Defense Plant Corporation leases containing provisions that if the Defense Plant Corporation at the request of the contractor has not moved out its machinery within 60 days of termination, the contractor may store such machinery and equipment at the expense of the Defense Plant Corporation. Of course, that doesn't say where we will store it. Prior to this 60-day period, an option period of 90 days is available during which time the contractor may make arrangements to purchase the machinery and equipment.

It is our interpretation of these contracts that this option period is not mandatory. So you see that is quite a complex situation.

Now, there has been a great deal of discussion about how these things are going to work out and whether you are going to get the money and what the financial set-ups are going to be and whether the General Accounting Office has to finally approve before you can dispose of the thing, but to me, the real problem is the physical movement of this stuff with dispatch, because all these other problems just relate to that. I remember when I was about 8 years old my grandmother gave me a toy, a kaleidoscope that you could look into and see beautiful pictures, but after I looked into it a while I took it apart and found it was just a lot of pieces of broken glass of different colors, sizes and shapes. If we take the machinery and say, "That's the blue glass," and start moving on it now, and take the jigs and fixtures, which are going to be a tremendous problem, and one of the most difficult things to handle in the last war, it seems to me that after the Government has decided what it is going to keep in the way of facilities, those jigs and fixtures ought to be moved just once, from where they are past the Government man who will identify them and into the scrap pile and not be moved into the yard or some storage warehouse and held until the General Accounting Office audits them. They are scrap and they are not worth a penny on the dollar.

Mr. FULTON. For purposes of the record, when you say "jigs and fixtures" you mean those specialized pieces of equipment?

Mr. KELLER. I mean those things you make that you put on a machine that you put the piece in that holds the piece and guides the drills and the cutters.

Mr. FULTON. That is only useful to make a specific article of that design and due to obsolescence and other factors, even if we had another war, you wouldn't use the same dies and jigs and fixtures; is that correct?

Mr. KELLER. I will give you this experience that I have had. During the last war our Dodge division made 155-millimeter howitzer

and rifle recoils and we had a plant in Detroit for that purpose—that was a Government facility—and Dodge bought that plant. That was before we owned the Dodge. Those machines and fixtures and tools and everything that goes with them were boxed and sent to Rock Island. When I went to Rock Island to look at the tank they showed me this mass of equipment that was still out there, and from what I know of the machine-tool practice a great deal of the approach to that job and even the design—perhaps not so much on the 155 but on cannon in general—of recoil has completely changed in this 25-year period. So I think it is a question of whether it pays to hold this stuff so long.

Mr. FULTON. If you were making the decision on a similar problem for your own company you would scrap the jigs and dies but keep the machine tools?

Mr. KELLER. We have to do that every year. Of course, so far as our accounts are concerned, we scrap the dies right in the first year of use, because we find that is the only safe thing to do financially. There are generally some changes. Then we determine which jigs and fixtures we will keep for service, put them in storage, and throw the others away. As you come into our office, Senator Ferguson, you see a big pile of them out there. We scrap as many of them every year as we can. It is quite a problem. Yet that pile represents not over 2 percent of the jigs and fixtures that we have made in the Chrysler Corporation since I have been with them.

Senator FERGUSON. The services could do the same thing by determining what jigs and fixtures they would like to keep for future use.

Mr. KELLER. That is right. I want to put the emphasis on identifying them by number and scrapping them the first time you move them. If you could load them on the truck and go past that fellow and he could say "That's that," and dump them into the cupola, you would be money ahead, the money and the time you spend storing this stuff, and then going out and having it checked, and somebody says, "But there are three nuts missing off of this one," and so on. During the last war I went to a cheap hardware store and bought a lot of cheap wrenches so that when we were short a wrench on a fixture we put one on. It only cost a few cents but the whole thing was held up on account of a wrench we couldn't find. It didn't seem to make any difference whether the wrench fit or not, so we just put a wrench with it and that was that.

Senator FERGUSON. In other words, General Accounting couldn't tell whether it fit or not.

Mr. KELLER. It was just as useful for the purpose as any other wrench would be.

Talking about fixtures, take our tank plant: Our dies, fixtures, and special tools on that job amount to \$16,000,000; the building cost \$8,000,000, and we have \$30,000,000 worth of machinery on that contract, so you can see it is a very sizable thing from the standpoint of dollars, and the dies, jigs, and fixtures are a bulky thing when you come to handle them.

The CHAIRMAN. Mr. Keller, have you given any thought to reconversion to civilian production?

Mr. KELLER. Very little. We are in a peculiar position. We are still being importuned to take on more war work.

The CHAIRMAN. I understand that.

Mr. KELLER. The starting of these jobs, getting them going, Senator Truman, takes the best talent we have, and I don't believe that any thought to peacetime is worth a darn unless the most able executives in the country bend their attention to it, and for this war effort I don't see how they can afford to do it with the problems before us.

The CHAIRMAN. Your answer is the same as Mr. Wilson's; now is not the right time to put the engineers and executives on that sort of job.

Mr. KELLER. Absolutely, yes. I have had friends come to my office from other industries, very able young fellows come down to talk about post-war plans, but plans for anything have to be made at the top of the company and I haven't got any time to put on post-war. There are new devices that are crying for attention in this country, both in the Navy, Ordnance, and Air, that require the very best attention and the very best people we have in this country, and I am aware meanwhile the war is on.

The CHAIRMAN. So am I.

Mr. KELLER. I concentrate on it. I think if we can shorten this war by 1 month it will mean more to the country than any peacetime plan you can work up. I think everything should be directed to that purpose, so that's the best answer I can give.

Senator FERGUSON. That doesn't mean that necessarily this plan of getting the machinery out and selling it can't be done?

Mr. KELLER. That can be done by subordinates, sir. That doesn't take the top, but in lining up the termination of these contracts or even working on it today a plan should be made so that the stuff physically moves with dispatch and that responsibility for check lies with the first man who checks it and isn't subject to 8 or 10 reviews thereafter, because if it is, just as soon as the contractor finds it out he is going to hold the stuff until he gets the last check.

Senator FERGUSON. He is taking no chances of being in trouble with the Government.

Mr. KELLER. He can't afford to.

Now, there are other problems connected with the physical side of this thing, and that is what I am trying to devote most of my time to because I think I know that the best.

We have 10,075 pieces of office equipment, and I am quite sure that is beyond anything we will need. That alone will take 40,000 feet. It doesn't seem like very much, but when you multiply that by your war effort you are going to find a lot of desks around the country, and pieces of office equipment.

I think also you will be interested in the tonnage of the productive material in all states of operation. We ran 2 years and we thought it would be a good thing to have an inventory and see where we stood, so we took an inventory in the last week of August, and not counting our Chicago plant at all, which is a separate facility and isn't interwound with our other automobile plants, we found we had 73,183 tons of material in process at the plants. You would naturally think it was all over in the tank arsenal because that is heavy armor, but it is surprising that there are only 28,700 of those tons in the tank arsenal, so you still have 45,000 tons in our automobile plants. Of course, that doesn't include any tonnage that our suppliers have. We are currently using about 10,000 suppliers.

Senator WALLGREN. How many subcontractors do you have?

Mr. KELLER. We call them suppliers. We have 10,000 now.

Senator WALLGREN. They have their own machinery?

Mr. KELLER. Yes, and some of them have Government facilities. Of course, they range in all different sizes and conditions. Last night I asked them to tell me how many of them we are currently doing \$10,000 a month or more with. There are 500 that run \$120,000 a year or more. Now, that number of larger contractors will increase very much with the equipping and putting in production of the Dodge Chicago plant. We have contractors there that hold very large contracts, but up to date have shipped very little.

Senator WALLGREN. Were many of these suppliers employed by you in peacetime operations?

Mr. KELLER. I would say not over 25 percent of them.

Senator KILGORE. They are not exclusive suppliers to you? A lot of them furnish to others?

Mr. KELLER. That is right.

Senator KILGORE. So it does not mean Chrysler has 10,000 of its own?

Mr. KELLER. No, but we have to deal with 10,000 contracts to suppliers and the physical side of handling these things is tremendous. While the dollars in volume are not very large, 9,500 of them will have some kind of claim when we shut them off.

Senator KILGORE. And a lot of them in turn will have claims with other corporations.

Mr. KELLER. That is right, and some of the big ones, of course, are going to have quite a problem. I think an interesting angle that wasn't very well brought out in Mr. Wilson's testimony was when you deal with these contracts and you talk about what percentages are in fixed fee. For instance we have 1,206,000,000 of fixed-fee contracts, but we buy a great many pieces under those fixed-fee contracts. Those pieces are bought at a fixed price from the suppliers. We have very, very few contracts with suppliers that are not fixed-price contracts.

Senator FERGUSON. Mr. Keller, your contract does not dictate to you how you should buy those?

Mr. KELLER. No, it does not. No, we have some dictation after we buy, which is sometimes very annoying.

Senator BALL. Mr. Keller, I am interested in that 78,000 tons of material in process. From your experience in the last war, will any sizable proportion of that be usable?

Mr. KELLER. Very little.

Senator BALL. Very little?

Mr. KELLER. Very little. Of course, your aluminum can be reduced to secondary aluminum pig, but your alloy steels for the specialized purposes won't necessarily fit your peacetime work and anything which has already taken shape, and most of it has, is nothing but scrap.

Senator BALL. How did they handle that in the last war?

Mr. KELLER. They pretty much scrapped it. That was one of the biggest problems of the last war. We had, as you know, a telegram, "Suspend work," and then a telegram to go ahead, and 10 days later a cancelation. That stopped everything right where it was in its track. I remember very distinctly we said if we had completed

the operations on the piece to the final determination of the piece, instead of stopping in the middle of the machining of the piece and paid for the extra machining ourselves it would have settled the claim very materially. We had many arguments whether the piece was completed up to operation 34 or operation 23. That made so much bookkeeping.

Senator BALL. What do you think they should do when they no longer need stuff; just chop it off that way?

Mr. KELLER. Do what we do when we stop on automobiles—if we have any surplus we take the first count on it and melt it up and get rid of it.

Senator BALL. But on an automobile you go ahead and produce to use up most of your material in process.

Mr. KELLER. Yes, but we get changes in design just the same as they do here, and, of course, in the automobile there is the service requirement, and a lot of this stuff will have very little service requirement after the war.

The CHAIRMAN. Do you have anything further?

Mr. KELLER. I think that covers about everything I can give you. I'll be glad to answer any questions to the best of my ability, if you care to ask me.

The CHAIRMAN. Any questions?

Senator FERGUSON. I have nothing further.

Mr. FULTON. Mr. Keller, I notice from the figures you gave, you are roughly a little beyond the half-way mark on the contracts you have had to date. Your deliveries are a little over half the contracts.

Mr. KELLER. That's right.

Mr. FULTON. How far would the other half carry you into the future, if you didn't get additional large commitments?

Mr. KELLER. In varying amounts. I have the figures only on the contracts on which we are operating. We have a lot under negotiation at the present time. That figure can change every week. We get extensions to contracts.

Mr. FULTON. I wonder how much of a backlog, in effect, you have now. How many months of operation?

Mr. KELLER. Roughly, we'll run—some contracts will run out in July, some in December, but on those we are running short, we are now negotiating for extensions.

Mr. FULTON. What I meant was, if you didn't get additional new contracts. Of course, some might require a long, long time to finish, but the bulk of your contracts would be done in a period of months, and I wonder if you can give us any idea of what that period, in months, would be. In other words, how much of a backlog do you have, expressed in months, as a rough estimate?

Mr. KELLER. I think, for instance, on tanks, we have a backlog and schedule running us through to August or September, with new stuff coming along; trucks, we are pretty well fixed up for this year; and Bofors guns, we have been asked to step up the capacity on those; they want to give us more. On the bombers, of course, you know we are closing out the one that we have been working on for several years and taking on another one. Our problem there isn't how far it runs into the future, because I guess it will go pretty far, but getting the new stuff ready and keeping the people employed before we run out of the old ones.

Mr. FULTON. But in general, though, it appears by reason of the fact that you are constantly getting new contracts, that you really can't tell how many months' backlog you have.

Mr. KELLER. I can't tell. Then we have new stuff coming in that would take men released from the jobs that are stopped. For instance, this 20-millimeter projectile and the .50-caliber ball, I understand, are passing out entirely, but we have other things we'll put in that plant.

Mr. FULTON. Since you have so many contracts for so many different items, in effect, to use, say, the Plymouth plant, you would have all the contracts completed before you could start moving?

Mr. KELLER. Yes; you have touched on the real problem. Those things all hang together, and an automobile plant starts at one end and the stuff comes out the other, and it's very closely integrated. So if we were to carry on the marine engines in the Chrysler plant, we certainly couldn't make automobile engines there, and if that contract carried over, that alone would stop our going over to automobiles in that division.

Senator FERGUSON. In other words, one of those provisions in a contract for a year may tie up the whole plant for a year.

Mr. KELLER. We didn't want to take any of those, but we said we can't win the war by arguing, and that will be taken care of when we get to the end.

Senator WALLGREN. Are you making an airplane engine?

Mr. KELLER. We are about to make the 2,300-horsepower Wright, 18-cylinder, in Chicago.

Senator WALLGREN. Twenty-three hundred fifty?

Mr. KELLER. Yes, sir.

Mr. FULTON. But since you deal with so many different procurement agencies, any one of which could, as to any one of your plants, tie it up, isn't it important that some kind of study be made by them and you of your contract situation in the not too distant future for the purpose of trying to arrive at some idea of when there might be a termination or cut-off there?

Mr. KELLER. If the Government would make up their minds now what they wanted to run after the termination, say, of the war with Germany, we could make plans to keep that running, whether it meant moving something or making a temporary set-up for our own production, until we work that out. That's where I emphasize the importance of Government specifying now what the things are that they want and get them in definite enough form that the contractor can understand it.

Mr. FULTON. And that, of course, in your case—and I am not blaming them for not doing it, but—

Mr. KELLER (interposing). I am not blaming them, either; I am emphasizing the importance of it.

Mr. FULTON. And that it isn't done at the present time?

Mr. KELLER. That's right.

Mr. FULTON. In addition, without trying to ask any question about particular Chrysler expectations of the future, could you tell us something about the time lag that might be necessary, even if these obstacles were overcome, to enable you to make shifts in your plants and get your tools back into order, your dies and jigs ready, and start to make, or to produce, a car?

Mr. KELLER. Of course, some would go back awfully quickly, and others you have to study from the standpoint of the longest time item on the job. Take, for instance—I think bodies would be one of the big problems, because you would have to get sheet steel to make them and start the dies, and that's one of the longest jobs in processing. But if you have got the plant set up—and I think it would be around 7 to 8 months before you would be in full swing—I wouldn't say how long it would be before you would be making some.

Mr. FULTON. There again, like the situation of removing tools from the factory, in a sense your longest item would have to be provided for before you could make your first unit.

Mr. KELLER. That's right. We would run into the same thing we did on changing over to war work, and that was getting the physical facilities ready to put the people to work. And you know the country got very impatient, even though we were doing a very marvelous job. The only thing they seemed to understand was that we had floor space cleared and machinery under paper tarpaulins in the yard. It looked like real activity, but the real activity is getting the tools and fixtures set up and getting some pieces run off them so you know your production is mechanically right before you can put your people to work.

Here is one of the things that may seem little but it becomes a tremendous thing when you talk about thousands of machine tools, and that is that these machines are a good bit like shoes. They wear themselves into the operation. You wear your heels differently from the way I wear mine. When a machine is working on a certain range of work the slides get adjusted to that, and when you put a job on that takes a different range, you have to rescraps the bed and fit the slides again.

And that is one of the big jobs we had to do in converting our machinery to war work, and we'll run into that again putting it back.

Mr. FULTON. So that with all these items, if you are to have industry that will pick up quickly—say, the automobile industry, with which you are familiar—you have to have some attention to many of those problems now; not attention that would divert from the war program, but attention that can be consistent with the war program.

Mr. KELLER. We want the Government to tell us what machinery we can buy and at what price, what stuff they want us to keep, after we get the first flash that the war is over in Germany or totally, and what they would like us to keep on making, and then cut us free so that we can go out and work like hell to get the thing changed around, because we are more anxious to do it, perhaps, than anybody else.

Mr. FULTON. One other problem. In the last war General Motors and the Ford Co., I know, had to make large borrowings in order to obtain sufficient working capital, and I suppose in this one, if you are held up on your payments, your working capital might be reduced. Would you have the ability to market quickly enough so that you could stand to pay all your suppliers for all the materials, or would some working capital arrangement have to be made?

Mr. KELLER. You are a couple of days early with that question. We have successfully negotiated a VT loan for \$250,000,000. It was subscribed to the extent of over \$400,000,000.

Mr. FULTON. Your company will have working capital?

Mr. KELLER. Yes, and Mr. Hutchinson, chairman of our finance committee, has been forward-looking on the financial status of the company, and we have made an appraisal as to what perhaps would be held up and argued about in terminations. Depending on conditions that prevail in setting up this physical movement and settlement of these claims, we'll use more or less of that credit as we need it.

Mr. FULTON. Even though you have been able to provide it, would it be true that you have to make plans to look ahead or to have available more working capital than would be required of your peacetime operations before the war?

Mr. KELLER. I think we wrote you a letter on that, about what it would take.

Mr. FULTON. I thought you might put that on the record, unless you desire to keep it private.

Mr. KELLER. Oh, no, it's quite all right. This was written in October, and at that time we figured we would spend about \$25,000,000 getting the plants physically back into condition, and about \$15,000,000 restoring the tooling and for the creation of new tools, dies, and fixtures for the advance model production. In other words, this would be our first-year requirement, because while we would have to go back with substantially the basic component of the present car, we generally spend about that much a year anyway, for new models. We figure to build back our prestige would take advertising—developing our dealer organization, advertising and sales promotional activities, to the extent of \$12,000,000.

Then, in this transition period, when you are not working up to full capacity and your burden doesn't get absorbed, we figured we would have an estimated expense running around \$23,000,000. And then, of course, we have very little inventory, and to build our inventory would take about \$40,000,000.

So we figure it would take about \$115,000,000 of capital to get us back into the automobile industry after this war.

Mr. FULTON. The point I was particularly trying to put some attention to is this: That even for a company which was established and successful and had relatively a good working capital margin, such as the Chrysler Corporation, the problems incident to the war and to returning to peace production require such a company to make provision for increased working capital over what they had used before.

Mr. KELLER. Yes, we did. We have \$100,000,000 credit we established several years ago. It is an unsecured credit and has no relation to the VT or Government guaranty which we are trying to maintain and sustain for whatever domestic, or our own legitimate business requirements may come up.

Mr. FULTON. That only stresses the fact that companies which might be newcomers in business, if they have any desire to take over the tools and go into a new business, would have quite a working capital problem.

Mr. KELLER. I suppose they would, yes. I suppose if it looked like a good loan, they could get the loan. We had no difficulty getting the loan.

Senator WALLGREN. I presume, being an automobile manufacturer, you are watching the manufacture of synthetic tires. What do you think of the prospects?

Mr. KELLER. I think we are going to have a terrific time on account of tires, when you consider that not only will you need the tires for the new automobile production, but I think every car that is on the road will want a new set of tires as quickly as they can get them.

Senator WALLGREN. I think we are doing everything we can to develop the synthetic tires.

Mr. KELLER. So far as I know, you are. I don't know much about that, but I understand some tire manufacturers are going back into production now. Several years ago I had experience with one set of synthetic tires. I drove them downtown one day when it was snowing, and I had a hard time getting back to take them off, and I have never had them on since. But there has been a lot of progress made in that art since then, but we have been too busy to try them out. However, that is one of the big problems, because you have quite a number of millions of cars in use, and everybody will want a set of tires for his car.

Senator BALL. Mr. Keller, can you give us a rough idea of how much Chrysler Corporation, of its own money, is likely to have tied up in inventory and obligations, valid obligations it will have to pay to its suppliers and so on, when your contracts are canceled? Would that \$500,000,000 figure—

Mr. KELLER. Four hundred sixty-seven million.

Senator BALL. Would that be roughly it?

Mr. KELLER. Oh, no. I think that would about cut in half. I think the gross claim of the subcontractors would about cut that in half, sir, right off the bat, because the controlled materials situation keeps them from building up big inventories.

Senator BALL. But you would have two or three hundred million of your own company's capital tied up.

Mr. KELLER. Yes, but you see, half of our contracts in force are fee contracts, and they close out as vouchers carry on, so that we assume that those will work right out in an orderly procedure, the same as though we were making the stuff.

Senator BALL. You would get your money on those pretty rapidly.

Mr. KELLER. We think so.

Senator BALL. How much would delay in Government payment on those inventories, materials in process, injure your working-capital position?

Mr. KELLER. Well, that is what we borrowed the \$250,000,000 for.

Senator BALL. You are not taking any chances.

Mr. KELLER. We figured that the best appraisal we could make at that time, that that would about cover us. Now, it may take a little more of our own money in addition to that, but a great deal of that depends on what procedure you follow in handling this termination. If these things have to be gathered into a bundle and they all stay unsettled—all phases of that determination stay unsettled until every one of them is settled—you'll tie up a hell of a lot of money, but if you can get the machinery out of the way, and if you can pay the inventory as it is taken and get these jigs and fixtures out of the way and get this physical problem out and settle that paper work or bend that paper work so that a determination can be handled in detail as the detail is ready to be handled, you will cut the problem of termination by a very, very large percent. And then if you have any questions with respect to the proportion of the profits you should carry

over and things of that nature, you are dealing with a much smaller amount of money than if you hold the whole thing in a ball until you get everything settled, and at the same time, you facilitate physical change.

Senator BALL. Your corporation actually is in a pretty fortunate position financially to weather that period between the time when the contracts are canceled and you get out the liquid capital, working capital, you have invested in it.

Mr. KELLER. I don't know that we are fortunate, because I don't know what the other fellow's picture is. I only know my own, and I know it has been quite a problem and it has taken a lot of work and thought to get it into this condition.

Senator BALL. I have been wondering about smaller firms that have expanded tremendously and borrowed a lot of capital and had it all tied up in inventory. A long delay in settlement by the Government, it would seem to me, would make it impossible for them to convert.

Mr. KELLER. That all depends on what they have to convert to. If they haven't anything to convert to, that would be an awful problem.

The CHAIRMAN. Are there any other questions?

Thank you very much, Mr. Keller.

The committee will adjourn to Monday at 10, when we'll start on the Canol hearing.

(Whereupon, at 12:42 p. m., the committee adjourned until Monday, November 22, 1943, at 10 a. m.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

WEDNESDAY, NOVEMBER 24, 1943

UNITED STATES SENATE,
SPECIAL COMMITTEE INVESTIGATING
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:15 a. m., pursuant to adjournment on Tuesday, November 23, 1943, in room 335, Senate Office Building, Washington, D. C., Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman, chairman; Homer Ferguson, Ralph O. Brewster, James M. Mead, Joseph H. Ball, Tom Connally.

Present also: Hugh A. Fulton, chief counsel; H. J. Robinson, investigator.

The CHAIRMAN. The committee will come to order. This is a very difficult room in which to hear, and I hope you will be as patient and as quiet as you possibly can while the hearing is going on.

Mr. Wilson, will you please give for the record your full name and connections?

Mr. WILSON. Charles E. Wilson, president of General Motors Corporation.

The CHAIRMAN. If you want to put in the names of your associates, it will be perfectly all right, too.

Mr. WILSON. Mr. O. E. Hunt, executive vice president, and Mr. Henry Hogan, vice president and assistant counsel.

The CHAIRMAN. Mr. Fulton, did you have some questions you wanted to ask?

Did you have a statement you wanted to make to the committee, Mr. Wilson?

TESTIMONY OF CHARLES E. WILSON, PRESIDENT, GENERAL MOTORS CORPORATION

Mr. WILSON. I do not have any prepared statement.

The CHAIRMAN. We, of course, are interested in what program General Motors is pursuing with a view to the termination of hostilities in this war, and whether at this time you are making surveys for that purpose, for the return to civilian production.

Mr. WILSON. I thought, coming down here at the request of your committee, that I would attempt to paint a picture as best I could in a short time of the present situation and the problem as we see it, and then I can answer any questions that any of your committee care to ask me, to the best of my ability, and perhaps we will stir each other up to developing some points that are of mutual interest.

The CHAIRMAN. All right; you proceed in your own way.

PRODUCTION RECORD OF GENERAL MOTORS CORPORATION

Mr. WILSON. When our country started its defense program in June 1940 of course it immediately became an important policy matter with the corporation as to what we should do, so starting in June 1940 we adopted some specific policies. They are rather short, and I would like to tell you about them, because a similar kind of policies—they will have to be different, of course—should be adopted as we go out of the war.

No. 1 was active cooperation with our Government in planning the production of war products, acceptance of trial orders, engineering cooperation, and mass production of such products for which we had or could get necessary production equipment.

2. Endeavor to obtain contracts for the more complicated war materials in the production of which the corporation's engineering and manufacturing experience would be of greatest value to the country.

We thought we should take the tough jobs and leave the simpler work to the smaller concerns.

3. Since General Motors' capacity for the manufacture of metal products is about 10 percent of the country's capacity, we should endeavor to get orders and plan to produce at least the same percentage of the country's requirement for this type of war material. In other words, we thought, appraising the thing as best we could, that if we took about that same percentage of the defense program, we would protect the people in our plants and our own operations, we would do our part of the job, and we wouldn't be accused of trying to get too much of the job and expand on a war basis.

4. We would try to obtain orders for war products for every plant city and for every plant. That was to protect the people in those different plants. Allot the production where it could be produced with the greatest efficiency and the least new floor space and machinery.

5. Solicit and accept contracts of any type proposed by Government agencies: competitive bids, cost-plus-fixed-fee, fixed price with provisions for renegotiation after cost and production experience. In other words, we said we would try to do business the way the customers wanted us to.

6. We would subcontract component parts for all war materials to dependable and competent contractors who had equipment that could be used to produce such parts.

7. We would utilize existing buildings and equipment to the limit. We would request new facilities from the Government only when absolutely necessary.

After Pearl Harbor, we adopted an eighth important policy, and that was that any machines or materials General Motors had that could not be used in war production would be made available to any other manufacturer who could use them in war production.

I am bringing out these points because they explain how the corporation's facilities came to be in the condition they are in.

Under this policy, and cooperating with the different Government agencies, we accepted orders and contracts that now total something in excess of \$10,000,000,000. Something over 50 percent of those contracts have now been completed. The production of war material was \$406,000,000 in 1941, \$1,898,000,000 (I am just giving round figures) in 1942, and with 2 months forecast, it will be \$3,620,000,000 for this year.

The actual production for October—the figures were just available this morning; I had to telephone back to get them because it takes about that long to get the facts—was \$355,000,000. That is the largest month's production we have had. That is at the rate of approximately \$12,500,000 a day.

Mr. FULTON. How does that compare with your peacetime rate, Mr. Wilson?

Mr. WILSON. It is getting close to twice the peacetime rate. That is at the rate now of in excess of \$4,000,000,000 a year, and the largest peacetime business was slightly in excess of \$2,000,000,000.

Mr. FULTON. Has there been a similar increase in employees and floor space, or has the production increased at a more rapid rate?

Mr. WILSON. I have the figures here for the people.

Senator FERGUSON. Could you give us your peak in private, civilian work and your peak now?

Mr. WILSON. The peak in employment in 1941 was 291,808 people. Perhaps 40,000 of those were already on the war work, so perhaps you can say that 250,000 people represented General Motors' employment in commercial business.

We now have employed, in October—perhaps the figures are about 30 days old—458,407 people, going back to the middle of October.

Senator FERGUSON. Was October your peak month in employees?

Mr. WILSON. Yes. The employment is still increasing slightly week by week, or month by month. Once in a while we have a month when we perhaps lose more people than we gain. I would say that another 10 percent increase would be the limit. I can't be sure that it will actually work out that way.

The CHAIRMAN. It is somewhere in the neighborhood of just twice what you would ordinarily employ in your civilian employment.

Mr. WILSON. That is correct. Incidentally, we now have 83,000 employees in the services. Our point of view on that has been that the services needed engineers and mechanics, the same as we did, in this mechanized war, and we have asked for deferment for relatively very few people.

The CHAIRMAN. What will be your policy with regard to those men when the hostilities cease and they are discharged?

Mr. WILSON. Congress has a law about maintaining the seniority of the men, which we think is quite proper and fair, and as far as I am concerned, I think those men deserve preferred treatment if it is possible to give it to them. We are working out a plan now to take back any of the men, wounded or discharged, who can be rehabilitated, and we are attempting to work them now back into the organization.

Senator FERGUSON. In other words, the law is now effective as far as you are concerned. You are taking those back that come back.

Mr. WILSON. That is correct. We are going past the law to the extent that we can.

Senator FERGUSON. Do you have any opposition from the unions on this question of seniority if you go beyond the law?

Mr. WILSON. Not at this time.

Senator FERGUSON. You haven't had?

Mr. WILSON. Whether we will have later, of course, nobody knows. It isn't so much of a problem now because there is plenty of work for anyone who is able and wants to work.

Senator BREWSTER. There was no policy of any reductions in the status of men who might be called into the service, as developed in some companies where men were demoted prior to entering the service so that if they came back after their period of service, after we passed the law, they would have to enter at the bottom again?

Mr. WILSON. I can't imagine any such arrangement myself.

Senator BREWSTER. It certainly was no policy of your company in that regard?

Mr. WILSON. Certainly not in our company.

Senator BREWSTER. Although it will mean some displacement if we have the anticipated contraction, if these men are reinstated as the law provides.

Mr. WILSON. I think it is only fair that the men who have been in the service have their opportunity when they get back. I don't think we are going to be very happy if they are the ones who have to sell the apples. As far as I am concerned, I don't see that there is any good reason why our country should get in that position, but at least the returned servicemen oughtn't to be on the end.

Senator BREWSTER. So you are in sympathy with the purpose of the law?

Mr. WILSON. Not only in sympathy with it, but somewhat ahead of it, if you want to put it that way.

Senator FERGUSON. Do you have the peak on women?

Mr. WILSON. Yes; in '41 we had 23,675 women, and now we have 113,367. You understand these figures are about 30 days back.

The CHAIRMAN. We understand that.

Mr. FULTON. You will have a major problem then—if you go back to your peak pre-war business, you would in effect have to have 200,000 less employees at the same time that you were subject to taking back eighty-odd thousand from those who have gone into service.

Mr. WILSON. That is correct.

Mr. FULTON. Which would make a tremendous problem for the corporation and for the people working for you.

Mr. WILSON. I am quite conscious of it.

Senator FERGUSON. And the fact that the women went back to the home wouldn't solve the problem because you only have a total of 113,000.

Mr. WILSON. That is correct.

Senator BREWSTER. Do you think the women are going back?

Mr. WILSON. Some of them are. I think people are going to have about the same social instincts after the war they had before the war.

Senator BREWSTER. Not quite.

Mr. WILSON. I don't think human nature changes too rapidly. I think a good many of these women would like to have their homes and to take care of them.

I think there is another thing involved. A good many men who are pretty well up in years are making an effort from a patriotic motive to do what they can in the war effort. Quite a few of those, I think, will be ready to retire. I think that reasonably we can look forward to some industrial expansion of our country. I see no reason why we shouldn't have a bigger business, a higher standard of living, than we have ever had before in this country. I happen to belong to the camp that believes in the theory of plenty rather than scarcity, and I am in favor of going at this job and producing goods

and distributing them on a grand scale that will make more for everybody.

Senator FERGUSON. You mentioned the elderly men and women who are working now. Does the company have a policy on this question of men over 40 at the present time?

Mr. WILSON. I haven't heard about it for years, Senator.

Senator FERGUSON. Have you discovered that they can produce? Has this emergency taught that?

Mr. WILSON. I think, if I may say so, the most important thing we have found is their attitude toward their work.

Senator FERGUSON. That has more to do with it than the age?

Mr. WILSON. That is right.

I would like to pay a little compliment to the women in our plants. Their attitude has been marvelous. They have come into the plants, many of them never having worked before, and they have tried awfully hard and done very well.

Senator BREWSTER. What percentage of your business prior to the war was automobile as distinct from other lines, approximately?

Mr. WILSON. I do not have the exact figures. Perhaps 80 to 85 percent of it was in car and truck business.

POST-WAR PETROLEUM SUPPLIES

Senator BREWSTER. Have you taken into account the possible problem we will have in petroleum after the war in the matter of your production of cars?

Mr. WILSON. Are you thinking that there might not be enough petroleum?

Senator BREWSTER. We are so told by all the authorities.

Mr. WILSON. The first time I ever heard about that was in 1911, and the country was worried then about running out of petroleum. I don't worry about that too much. As time goes on, we know how, perhaps through a process of evolution, to make our products more efficient.

The CHAIRMAN. Isn't there a possibility, too, of making this automobile eat hay and solve the agricultural surplus problem as well as the shortage of gasoline?

Mr. WILSON. I doubt that.

The CHAIRMAN. You don't think there is a possibility of producing an alcohol product that could be used?

Mr. WILSON. If we couldn't have anything else, we could produce engines that would run on alcohol, but it is much easier to take the sunshine of past ages and pump that back up out of the ground than it is to work hard now and produce hay and try to make alcohol.

The CHAIRMAN. I appreciate that, but if there is a potential shortage, I think we will find a way to meet it.

Mr. WILSON. There are vast reserves in this country of low-grade fuels that can be processed into higher-grade fuels, and I think that as the necessity develops, we will find ways of doing that.

Senator BREWSTER. We have the testimony of our Petroleum Administrator for War that we cannot "oil" another war, and if you—

Mr. WILSON (interposing). I hope we don't have to do that myself. Two wars in my generation are plenty.

Senator BREWSTER. We all share that hope, but we certainly are contemplating a tremendous Navy and air force in the post-war period on the assumption that we shall be prepared, and yet they would be unable to move without petroleum, and I don't know whether we can dispose of it quite as easily as you do when you say it is a matter of no concern. The consumption of petroleum in this country in 1911 was quite different from the consumption in 1941, from both civilian and military standpoints, and if you have some information that guarantees this country against a problem in the next 20 years in petroleum, you are making quite a contribution.

Mr. WILSON. Well, perhaps you are looking ahead a little further than I am.

Senator BREWSTER. Twenty years is not long. Your cars will last almost that now. I have learned.

Mr. WILSON. I hope not. [Laughter.] We are trying to make them the best we know how.

I think it is perfectly proper for our country to set aside petroleum reserves against possible use in another war. I don't think that we should overdo the matter of draining our resources, but I think that the potential resources are very great, when you come down to the final show-down.

Senator BREWSTER. You mean that on proven reserves or on what you hope may exist?

Mr. WILSON. It would be on proven reserves, but going further down the scale than we commercially do now. What we are doing now in the ordinary competitive way is use the things that you can get at with the least human labor, and at the lowest price. If you are forced to, you can still distill coal, you know, and make hydro-carbon fluid that can be used.

Senator BREWSTER. What would you estimate would be the cost of that?

Mr. WILSON. That isn't my particular business and I would judge any figures anybody had now would be wrong 20 years from now. I am pretty sure of that.

Senator BREWSTER. I certainly share your optimism, but as far as the proven reserves are concerned, ours will last about 15 years at the current rate of consumption, according to all figures. We recognize the possibilities in these other fields, but since you produce the item which makes the greatest demands on petroleum I think we have to be somewhat more realistic than simply your hopes.

Mr. WILSON. Well, of course, there are other places over the world where perhaps we can get some fuel.

Senator BREWSTER. If Great Britain and Russia will let us have them, there is quite a lot of petroleum around the world.

Mr. WILSON. Of course you are getting me into the realm of higher politics and I would rather stick with my knowledge of General Motors.

Senator BREWSTER. I appreciate it, except as you are concerned with the greatest industry using petroleum, and I think you probably have got to make your own contribution. I have had suggested to me by one of the governmental authorities this morning that you would produce cars using less gas, lower-powered cars; is that contemplated at all?

MR. WILSON. Not immediately, but that is a possibility against the future, long before the 20 years would be up.

Senator BREWSTER. That is something you at any rate figure as a possibility?

MR. WILSON. That is correct.

Senator BREWSTER. I didn't mean to get you too much off the motor track.

MR. WILSON. My only point there is that we have never had proven reserves too far out there; there is the cost of finding the reserves, the technical development of refining hydrocarbons is a continuing art, that is, an improving art. We discussed it after the last war. We were worried about it as we are now. We talked about setting aside certain Government lands of proven reserves.

Senator BREWSTER. We did that.

MR. WILSON. And I don't see any reason why we shouldn't do that again if that is what the country wants. I think we have all got to recognize that our country was not very well prepared for this war, and I think it was a pretty close shave.

Senator BREWSTER. That's right. If we keep on another 20 years at the present rate we won't be prepared at all for the next one because we can't move a ship or a plane without petroleum.

MR. WILSON. Well, currently, of course, we could cut the consumption as we have done this time. We didn't even have the ships and the planes, let alone worrying about how you would run them. Along that line, making a point, I think it is perhaps sometimes overlooked that we did have about 18 months to prepare for the war before we actually got in it. I stated here the policies we adopted in June 1940. Well, until December 1941 was roughly 18 months. During that time we, working with the Government, the agencies, planned increasingly for war production as the situation looked more and more serious to the country and more money was appropriated by Congress for defense, and right after Pearl Harbor, of course, for the war.

Now, it was a difficult situation because in a way our people psychologically were not prepared for war. They didn't want to believe that our country was going to become involved in another terrible world war.

The CHAIRMAN. If they had been in the position that Russia was in when she was attacked, the war would have been over for us before we had gotten one plant ready.

MR. WILSON. I sensed, when the war came, that the people of the country held it against the politicians and the business people that we were not in a better position and that we could not produce and arm our soldiers and sailors more quickly. As far as the peace is concerned, while the people were not all reconciled to the fact, or even a majority of them, that we were going to have the war, they all are looking forward and recognize that some day the war is going to be over and we are going to have peace. I think we should trust the people of our country some more and not be afraid realistically to do something about the post-war problems. I don't think we need to be too afraid that the people will think the war is over just because some relatively small moves are made in anticipation of that day. I think they will approve of it, because they are all looking forward to that day.

Senator FERGUSON. Mr. Wilson, you believe that if we had given the people the facts before the war we would have been much better off?

Mr. WILSON. I think so. I am not too afraid myself to trust the people of our country.

Senator FERGUSON. And if we will give them the facts now we will be much better off?

Mr. WILSON. I am not like the ostrich, sticking my head in the sand and saying there isn't much out there and the danger won't bother us. I am pointing out that we had 18 months going in and we should make some plans going out, and certainly it is not unreasonable to think now of the war being over in 18 months. Personally, I don't think it is going to be over as quickly as many people hope. Whether it is 6 months or 6 years, it wouldn't be unreasonable to have a small program anticipated. None of us knows how it is going; in fact, I think the surest thing is that it is not going to wind up as anybody thinks it will now. I think that is just about the surest thing that you can put down.

PROBLEMS OF CONVERSION FROM WAR PRODUCTION

Senator BREWSTER. And it is incumbent upon both Government agencies and businessmen at least to have a plan ready to function or plans ready, let us say.

Mr. WILSON. I think it is not only the plan, but I think certain controls, and so forth, have got to be gradually taken away, unshackling business so it can start to make the moves, you see. I am talking about the reconversion of post-war business. I am bothered by three things: No. 1, I am afraid that the time factor involved is not understood. Business is not like turning on and off a faucet. It is so much easier to stop an activity than it is to create a new one to take its place.

Senator BREWSTER. It still takes 9 months.

Mr. WILSON. Some things even take longer. So I am afraid that factor isn't understood. Some time we will suddenly find that we have some surplus manpower or some surplus material and available manpower, and we will say, "Well, you can make some more automobiles or refrigerators or something," and then everybody is going to be surprised to find that we can't promptly use that material and employ the people, and they will be rather discouraged by the time factor.

The CHAIRMAN. I remember very distinctly what a time we had in conversion from peacetime manufacture into wartime manufacture, and it is my opinion that the reconversion is going to be much harder and much more difficult.

Mr. WILSON. Senator, the point I am trying to make is that what looked like a very tough job took too long. If we had had Pearl Harbor before we started, then you would have been disappointed with what happened.

The CHAIRMAN. That is right.

Mr. WILSON. The first 10 percent of any production you make is the most important, and 10 times 10, of course, is a hundred, but 10 times nothing is still nothing. If you have nothing to start with at a particular time, when you turn on the steam you can't multiply it rapidly.

It is that process of getting all the initial things and troubles eliminated. If you know what you can do, if you have all the materials and sources, the quality established, then you can multiply that on up from there, but it is that initial stage where the time factor enters into it that I am afraid is not going to be understood, and I think it is time in relation to the war cycle that we took the people of our country into our confidence and told them frankly that there is still a tough job to be done on the war, but realistically we should be prepared for the beginnings of peace.

Senator BREWSTER. Is there anything comparable to pilot plants that can shorten that time lag?

Mr. WILSON. Well, that would only apply on new products. If you wanted to do something new, then if you could make a few of the new products now and prove your designs that would be exceedingly helpful, but in our case it is not only the new things that we might like to make that we can't get material for, but our production facilities for our old products have been completely disorganized. In many cases even the steels that we used 3 years ago are not the ones that are currently being produced. We are using now about 75,000 tons of steel a month in the war effort. As a matter of interest, in the peace production of 1940-41, we were using around 250,000 tons of steel a month. I think that the steel shortage is about over, or perhaps is over, and we don't quite recognize it yet. I have two or three reasons for thinking that. The construction job is about finished in connection with the war, as is the consumption of material for machine tools, and the inventories are built up. The commercial inventories at the beginning of the war could not be used. They ran into billions of dollars. You have to have a working-process inventory; you have to have some raw stock, because the production flow of material is not a perfect thing, and if you don't have some bank of material you can't have continuity of work in your plant. You have to have some safety factor.

In addition to the material that went into the finished product that came out of the plant, a tremendous amount of material was going into the preparation of facilities and the building up of inventories, not only to a peacetime level but with the increased activity of the country the inventories had to be higher than they ever were in peace. I don't know exactly what the figures are, perhaps \$5,000,000,000 higher. That is about over because this thing is getting stabilized, and perhaps from now on about as much ought to come out at the finished end as goes in at the bottom.

The steel industry is running very close to a hundred percent, and in normal times on the average perhaps it runs at 60 percent of capacity.

Mr. FULTON. On steel, for example, you use a great deal of the product of the strip mills which have been transferred over to plate production. They would have to be transferred back, I suppose, before you could even get your strip again.

Mr. WILSON. Of course, some of them have; some of them couldn't be converted.

Senator MEAD. Mr. Wilson, before you leave that subject, isn't there another approach to the problem that we might dwell on briefly, and that is while it will take considerable time to effect a conversion from

our war production to the necessary peacetime production, such as production of automobiles, trucks, radios, refrigerators, and so on, isn't there a possibility of taking up that lag by establishing a reservoir of very necessary work that should be done immediately after the war terminates? For instance, our towns, cities, counties, States, and so on—and this applies also to some of our manufacturers—have been prevented from doing a very necessary job of road building and road repairing and repairs and extension of county and State facilities, schools. Various other items of that kind have been neglected because of shortage of supplies of materials. I was wondering if your agency or some similar agency was inventorying that great reservoir of work, setting it up for a time when it could be started without the reconversion lag that will be required in changing, say, the General Motors from its wartime productivity to normal peacetime production.

Mr. WILSON. Well, Senator, I think you will find when you get into any one of those particular things the same time factor becomes involved. You know, no physical activity goes on any more in this complicated age we are living in, no piece of inanimate metal, concrete, or anything else moves from one place to another without a piece of paper to direct it. It has to be named and a piece of paper has to tell it where to go, so to speak, or tell somebody where to take it, what to do with it. All these things you are talking about are going to have to be planned and the paper work followed up and the same relative thing will be involved.

Senator MEAD. I was wondering if the planning was now being done, if a system was set up whereby priorities would be granted to the State, the county, the city, the town, that had its plans all perfected, and was ready to go ahead.

Mr. WILSON. You will find this, too; as far as people are concerned, you can't move them around exactly like material. You talk about manpower as though it was so many bushels of wheat, and so on. They aren't that kind of people.

Senator MEAD. But in that particular field there is now a developing unemployment. One might assume that we are right up against a large manpower problem, but as we terminate the necessary expansion of wartime facilities, housing, and so forth, we set up a reservoir of building-trades mechanics, of road builders, and others in that category who are no longer all necessary in the war effort. Strange as it may seem, some of our cities are already developing unemployment problems, so I can see where we need the material, but the presence of the plans and the availability of the workers will reduce, I think, the over-all problem.

Mr. WILSON. Perhaps I can state it another way. I think all of these things should be done. I think they should be done by the people who are really going to take the responsibility for them. There are certain kinds of things that should be done by the Federal Government as they have done in the past, and they should have their plans and be ready to put them into this reconversion problem. The States and cities should also have their plans, perhaps more hospitals should be built, and all kinds of things.

Senator MEAD. We are not talking about a W. P. A. project now; we are talking about very vital necessities and postponed work.

Mr. WILSON. I think as far as the people are concerned, one of the first things they are going to want is some new automobiles and house-

hold appliances and things that are more directly affecting their lives. Automobiles also give the whole population a greater flexibility. These people who are going to have to change employment, work on construction jobs, and things like that, are going to want to have automobiles to get them to these jobs. So we are trying at General Motors to do our part in our business. I think the idea of having some good cheap houses prefabricated or something like that is a nice idea. It isn't what we think is our particular business. We think there are a number of other concerns or people who do not have as clearly defined and as definite a conversion job as we have who can work on that one thing.

Senator MEAD. Of course, you would be interested in highways and bridges and streets, a proper balance in our petroleum industry; of course you would also be interested in the general economic prosperity of the customers of General Motors.

Mr. WILSON. Well, we have a very simple point of view in General Motors. We think that what is good for our country is good for us. We don't have any separate kind of position. We think we are so big, and the products we make are so vitally associated with the welfare of the citizens, that we say what's good for the country we go along with and that is good for us.

Senator MEAD. By advocating that you help prepare the country for the proper approval of a sensible plan of changing it from a military to a peacetime economy.

A while ago you said, and this bears out the point you are now making, that we weren't prepared for war. We tried to avoid the war. Well, in that connection, we had almost as many men in Congress telling the people how easy it was for us to avoid the war as we had telling the people how vitally necessary it was for us to prepare for war, and that is noted in some of the votes. This is only hindsight on my part. In some of the very vital matters in preparing the country for war we only secured the approval of some of those matters by one or two or three votes, so it is good for the country to have an organization as widespread as yours assisting the country in the proper transition from a wartime into a peacetime economy, because, as you say, what is good for the country is good for your company.

Mr. WILSON. That is correct, and that is why I am talking to you men here this morning frankly, saying that I think it is timely for us to do something about it with relation to the time factor, and trusting the country not to think that we are foolish, that General Motors is thinking only of its peacetime business, because that is not so.

Senator MEAD. I still say there are two types of work. For instance, it is going to take General Motors a long time to move out the very large, heavy, powerful machines that they now have to make, we will say big tanks, and to supplant them with more fragile machinery that will be able to make the smallest type of automobile. It is going to take a long time to make that conversion job. But we have a million and a half men working on the railroad, and the railroad tonnage is abnormal now and it will drop perceptibly when the war is over; it isn't necessary for us to dismiss all those railroad men, because we have to rehabilitate the whole system, and a great many of those men can be employed even without new equipment and material to do a repair

job and improve the roadways and prepare for the peacetime position the railroads will have to take in our economy.

That goes for almost every industry in the country. They can employ great numbers of men, provide employment for them, and get these jobs started and will not have to await the physical factors involved in complete plant conversion. In some plants I imagine that it would be easier, it would be shorter, at least, as far as time is concerned, to build a new plant than it would be to take out all the very heavy machinery, replace it with lighter machinery that will be necessary to do the peacetime job.

Mr. WILSON. Senator, you would be surprised what we could do if no one puts stumbling blocks in our way. That is where the trouble comes. It is not that we can't move the heavy machinery and move it pretty quickly, but if the machinery belongs to somebody else and they say, "You can't move it," that is where the trouble comes.

The CHAIRMAN. How many Government-owned machines as compared to the ones you own are in your shops today?

Mr. WILSON. I have some figures here. That really makes my second point. My first point was this time factor. My second point is the physical plant involved.

The CHAIRMAN. We are interested in that very much.

Senator MEAD. Before you leave this, Mr. Wilson, I saw a great many of our automobile plants in which they owned all the machine tools, trying to convert from peacetime to wartime production. I want to say that it took a long, long time. There were a great many people who were impatient because of the time factor, and no Government-owned machinery or other red-tape requirements were in their way. That was because they never did it before; it was a brand-new job and they didn't feel they ought to do it.

Senator CONNALLY. Senator Mead, will you yield to one question? How do you do, Mr. Wilson. I want to say I think the automobile industry, of which yours is the biggest, I suppose, performed a marvelous transformation from peace to war and rendered a great national service. May I ask you this one question? Suppose the war would stop next week, how long would it take you to begin turning out automobiles? How long would it take you to turn out your first car? That is a guess, of course.

Mr. WILSON. That is a simple question. I wish I could give you a simple answer to that, but I can't. In the first place, I don't know what the rules and regulations are going to be under which we will have to operate.

Senator CONNALLY. When the war is over we will relax most of these regulations.

Mr. WILSON. If you will set down the conditions that will occur, then I can give you a pretty fair answer.

Senator CONNALLY. Suppose we take the bridle off.

Mr. WILSON. We can do anything we please and move the Government machinery out in the snow as we did our own and not get into any trouble about it, and all that kind of thing?

The CHAIRMAN. Without waste of time.

Mr. WILSON. And not have to waste time while a bunch of auditors paw over \$500,000,000 worth of inventories?

Senator CONNALLY. For the purpose of this examination we will make some hypothetical cases. Yes, turn you loose.

Mr. WILSON. Well, if you turned us loose, we could be producing some cars in 3 months, and a pretty fair production in 6 months.

Senator CONNALLY. That is what I am getting at.

Mr. WILSON. That means, of course, that we would go out and buy the things that we had to buy and pay for them what it took to get them.

Senator CONNALLY. That is right.

Mr. WILSON. I don't think it is going to be that kind of wind-up.

Senator CONNALLY. Personally, you wouldn't do that? You wouldn't go out and just buy them regardless?

Mr. WILSON. People did that after the last war.

Senator CONNALLY. I know, that wasn't you; I am talking about you now.

Senator MEAD. Are you finished, Senator Connally?

Senator CONNALLY. Yes.

Senator MEAD. Before we leave the subject I want to ask the counsel for our committee if we didn't have considerable difficulty in forcing certain industries to convert and certain other industries to convert from 50 percent to 100 percent. Wasn't there a reluctance to full conversion that our committee took up?

Mr. FULTON. There was a reluctance, but of course it was a reluctance in view of the situation. They had to have Government orders for all that they could produce, and in effect an understanding that that is what the public wanted. I mean industry naturally had to await the time when the Government said it needed the plants.

Mr. WILSON. Senator, I think—

Senator MEAD (interposing). Pardon me, wasn't there an objection on the part of the local governments, sometimes on the part of the people, that conversion might have dire effects upon their local economy?

Mr. FULTON. There was, and there was contention that tools and all were suitable for war production use, which apparently was the case with Mr. Keller, who said the Chrysler Co. used some 85 or 90 percent of its tools; but of course that is one of the points; you have to know a great many things before you can make these determinations.

Mr. WILSON. I can answer your question. There was some criticism of companies on the basis that they were refusing to convert. Mostly that was by people who didn't understand the problems; they didn't understand what was involved. That is why I read to you gentlemen the policies that we adopted in June 1940. We went at the job, what we thought was our share of the job; we took what we could get in doing the job; we used what we had in our plants. I would like to point this out, that if we had only \$1,000,000,000 worth of orders in General Motors we couldn't use anything like the amount of the machinery that we did when we got \$10,000,000,000 worth of orders, because of the variety of things and the fact that as we pieced out your production facilities by buying the new special machines required, then we could use more and more of our old machines, all our drill presses and stamping machines. Perhaps when we started we could use 15 percent of our equipment. Some of that 15 percent we had plenty more just like. When the Government asked us to double our capacity we could use another 15 percent. Am I clear in that matter?

The CHAIRMAN. Yes.

Mr. WILSON. So that on our initial orders we couldn't use a lot of our facilities, but as we made more and more kinds of things (and we were always striving to get the orders for the things that we had equipment for under our policy) we were able to use more and more of them. I have the figures here if they are interesting to you.

At the beginning of the defense program in 1940, the corporation had about 75,000 machine tools. Since that time we have ordered for the Government in round figures 61,000. That is what we actually had on November 1.

Senator MEAD. I am not finding fault with General Motors. I think you have done a very good job. I think the trouble lies in the fact that the country was reluctant, as you pointed out, to realize the enormity of the task ahead, and we just had to parade along slowly rather than to rush into it. I remember the criticism of the President's transfer of the over-age destroyers. I remember the criticism when he sent the Springfield rifles to England after Dunkirk, and yet when you look back at it now, if he didn't do those things we probably would be in terrible shape today; but he was traveling, industry was traveling, just about as fast as public opinion would permit. So I think you did a very good job.

Mr. WILSON. He had to do a little horse trading, like the over-age destroyers for the bases and things of that kind. That was a little expediency because we were in a sort of jam.

Senator MEAD. But to indicate the attitude of mind, we just have to refer back to the debates that favored and opposed deals or programs of that kind. The country wasn't united. That is what I wanted to bring out. The country wasn't united until Pearl Harbor, but the country is united now, not only so far as the prosecution of the war is concerned, but the big job of conversion. That has no complexities like the complexity that troubled the people when it came to going into the war.

Mr. WILSON. As I said, we had about 75,000 machine tools in General Motors. We now have under our control 143,774 as of November 8.

The CHAIRMAN. How many of those tools does the Government own?

Mr. WILSON. I will give you the figures: 85,838 belong to General Motors. We bought some more in that time. 56,708 of them belong to the Government.

The CHAIRMAN. Are they intermingled with your tools?

Mr. WILSON. They are mixed all up in the 105 plants; 74 of them belong to the British Purchasing Commission and 1,154 belong to other people where we are the subcontractors and they supplied us with special machinery. So that is the total that we have in our services now.

Of the tools that belong to General Motors, that is, the 85,838—61,524 are on war work, 206 are reserved for war work—new projects, but we are about through with that, you see. That 206 is pretty small compared with the total. 6,844 are on authorized service parts and similar kinds of civilian production, like building some locomotives now, for instance; 17,264 are surplus that we have not been able to use in the war effort.

The CHAIRMAN. Those were tools of your own that you had to set aside?

Mr. WILSON. Yes.

The CHAIRMAN. Have you got them stored in your own places?

Mr. WILSON. Some of them are out in the weather, covered with tarpaulins and set aside any place we could put them.

The CHAIRMAN. Can you use them again if you go back to making cars?

Mr. WILSON. Most of them. Otherwise we would have scrapped them for the metal. In line with our policy after Pearl Harbor, we listed everything we had that we could not use in our war effort, and under that policy 2,020 machines have been sold to others for war work, anything right out of our plant; 1,019 were sold to the Government; 3,602 were transferred between plants in General Motors, and 480 were transferred to our subcontractors. That is, if we had a job for a subcontractor, and he didn't have a machine, but we had one that was surplus; we transferred it to him.

Now, the point that I am making here is that while those 3,500 machines that are out of our plants in subcontractors' plants—some of these machines we sold to others, I understand, went to England and Russia, even—you might say these machines are only 3,500 out of 85,000 and therefore we ought to be able without much trouble to get 90 percent of our production. That is not so. In the modern mass production of things, progressive manufacture, you have to balance capacity by operations, and some of these missing machines would be bottleneck machines. In other words, without getting them back, or their equivalent, we couldn't produce anything, so not only do we have the problem of unscrambling the Government-owned facilities and our own, but we have the problem of replacing machines that are lost in our production lines that were used in the war effort.

Senator MEAD. How many of the 3,500 machines that you mentioned are what really might be called bottleneck machines? A large percentage of them?

Mr. WILSON. There are enough of them that, as I say, without them you can't produce anything.

Senator MEAD. Could they be replaced?

Mr. WILSON. Certainly they could if the present regulations allowed us to do it. As far as I am concerned, that is one of the recommendations I would like to leave to you gentlemen today.

The CHAIRMAN. That is the prompt removal of Government-owned machines when they interfere with your production?

Mr. WILSON. No. I would like for the corporation and other concerns in the country who are in a similar position to be allowed to place orders for machine tools to replace their pre-war capacity where they gave those machines up for the war effort.

Senator MEAD. And where the machine tool would be vital.

Mr. WILSON. That is right.

Senator MEAD. In the proper operation of the plant.

Mr. WILSON. Of the business.

Senator MEAD. Yes.

Mr. WILSON. That is one of the things that would be relatively easy to do that would save much time in the reconversion.

Senator BALL. May I ask you a question, Mr. Wilson? You know quite a bit about the machine-tool industry. As I understand it, we have passed the peak in machine tools needed for the war effort. Isn't

it probable they could begin to make these machine tools we will need for peace production before the war actually ends, since this steel shortage is out of the picture?

Mr. WILSON. They should almost any time from now on. I will give you the figures in General Motors. Altogether we have put on order for the Government and other agencies 61,000 machine tools. We had received a month ago 58,000 of those machine tools, so that we only had on order 3,000 machines, and more than 1,500 of them are currently promised for delivery this month, so by the end of this month we will have on order for Government work perhaps 1,500 machine tools. At the tightest place in the facilities requirements we had over 18,000 undelivered machines on order in one month. That was the backlog, relatively. In other words, we now have less than 10 percent of the machines on order that we had at one time, and I think that the machine tool industry could start to replace those machines. Perhaps some of them could be earmarked. They may exist and could be available. If we knew that we could get that machine back promptly, that would be one thing. I read Mr. Keller's testimony last night, and he made a point that he would like to know which machines the Government was going to make available and how much they would want to charge for them. I would like to know the same thing. Perhaps of the 56,000 machine tools that the Government owns that are now in our plants spread all around, we would be able to use some. However, they are not usually the ones that are bothering me because if we had needed them for our war work we would have used them ourselves. The ones we sold to the other people are not the kind we have in the 56,000. You understand that.

The CHAIRMAN. I understand that; yes.

Mr. WILSON. And that is why it is so important to us to have those particular machines replaced.

Senator MEAD. Yes.

Mr. FULTON. That would probably be true of other companies as well as yours.

Mr. WILSON. I am quite sure that is right, though I don't know that anyone went quite as far as we did in opening the door and saying "For the good of the country take anything we have got." They went a long way, I am sure of that. In Detroit they did go about as far as we did because we went along together on it, but the corporation happens to be integrated somewhat more than some of the other producers, so that we are mixed up perhaps more than others. That is the point, rather than their intent.

Senator MEAD. However, it applies to others in somewhat less degree, nevertheless it is a good standard to apply generally.

Mr. WILSON. We finally had under our policy war work in every plant we had except four that we leased to other people. We leased the Fisher body plant in St. Louis to the Curtiss-Wright Co. We had our automobile plant in South Gate, Calif., now leased to Douglas. We had two plants in Oakland, Calif., leased to the Quartermaster. They wanted them for storage and reshipping capacity to handle the material. All of our other plants have war work; they have Government machinery mixed up with our own, scrambled all up together, so that what I would like to propose is something that definitely should be done: No. 1, that as the machine-tool industry is completely

relieved from the war load, not to interfere with it in the slightest, but as it is relieved of the war load it be allowed to accept orders and have material available to build some machines to replace these bottleneck machines that have moved out Lord knows where.

Second. I would recommend that the Government decide what they want to do with their facilities and machine tools and say which ones are available for purchase and which are not.

In the conversion to the post-war peace production there are perhaps three phases: No. 1, this replacing of the bottleneck thing so that you can get back at the job. No. 2, we don't particularly want to go backward ourselves. We want to go ahead. We would like to modernize our plants. If some of these Government-owned machines are more modern and better for the purpose than some of our old machinery, we would like to replace our old machinery and use the best thing there is. No. 3, we haven't had the time to work it out yet, but we think that we should prepare for some more capacity than we ever had before. I don't know, maybe I am a little overenthusiastic about the automobile business, but I don't know anything that for the same amount of money the citizens of our country can get as much personal satisfaction out of, and if we are going to expand our standard of living in this country and everybody have more, I don't know what it is that they would like to have ahead of a nice automobile.

Senator CONNALLY. Two.

Mr. WILSON. All right, two. I will go with you on the two. So I think we want to do our part of this job in the country, help reemploy the people, help raise the standard of living, help make our country a better country so that we also do better, go right along. We are going to have to have more capacity than we had before, so that there are three phases of the thing I am speaking about: First, destroy the bottleneck so you can get back at the job, then you will have something from which you can expand.

Second. Modernize the plants. That includes not only the machinery but I would like to have better facilities for handling the people. I would like to have better cafeterias, better parking lots, better ways of taking care of their clothes. I would like to have better loading docks and material-handling facilities, so that a minimum of people have to work in the cold and the rain loading and unloading cars, and so forth.

So that if we all get the courage to go ahead as we should in this country and as our country always has had the courage to do in the past, I don't see why we can't push the thing up to a pretty good standard for everybody.

As I say, we don't know just where that one is, because we haven't worked at it yet, but I think it is timely to start to do it, and I don't think the people of our country, if we take them into our confidence, are going to think it is because General Motors thinks the war is over.

Senator MEADE. In connection with your expansion program, when you talked about increasing the use of cars here in the United States, did you have in mind increasing the shipment of cars abroad? What about the foreign market?

Mr. WILSON. We, of course, don't know exactly what kind of post-war world we are going to live in. After the last war we thought that the world was safe for democracy, and an American businessman

could do business any place all over the world, have his capital respected, get his money in and out of the country, his profit and so forth. We found out afterward that that was not so, you see, so we are a little bit disillusioned about it and frankly, we don't know what kind of post-war world we are going to live in and we don't know exactly what to do about the export business.

I think the politicians are going to settle that for us; that is, not only in our country but in the other countries over the world. After that is settled, we are going to go along and do what our country wants us to do about it.

Senator CONNALLY. May I ask a question right there Senator? The fact that there has been a cessation of automobile building during the war of course will create a tremendous upsurge right after the war, but that won't necessarily indicate a normal condition. I suppose you have considered that. Of course you will consider that. In other words, there will be a shortage of cars after the war and everybody will want a new automobile, but you can't judge all of the future, you can't expect it to be maintained at that high level, can you, unless the world comes back mighty fast and you can export lots of your cars?

Mr. WILSON. I don't know that I want to burden the committee with my theories about that.

The CHAIRMAN. We will be glad to hear you, Mr. Wilson.

Senator CONNALLY. I am talking about domestic, primarily, first.

Mr. WILSON. We are talking about both of them.

Senator CONNALLY. All right.

Mr. WILSON. Certainly in General Motors the chief executives have the responsibility of deciding what is the right compromise of capacity in handling the pent-up demand immediately after the war as against a longer pull. In other words, if we tried to spend too much money in capital investments to balance the law of supply and demand too quickly—

Senator CONNALLY (interposing). Immediately.

Mr. WILSON. We would have an expanded plant that we probably could not operate for a reasonable number of years, so we have the responsibility to our stockholders and to the country for doing a sensible job on that one.

Senator CONNALLY. That is what I was asking.

Mr. WILSON. That is right.

Mr. FULTON. Of course, Mr. Wilson, the cars you produce—

Mr. WILSON (interposing). But we are going to be fairly optimistic about it, I think. In other words, we are going to trust the country and make a play. We are not going to play it too loose. You understand what I mean.

Senator CONNALLY. Yes, I know.

Mr. FULTON. Of course, new models produced a couple of years after the war, with perhaps some of the experience built into them learned during the war, might create an additional demand by reason of more or less making the other cars obsolete.

Mr. WILSON. Well, I have said several times, and I would like to say it again, that the real news of the war is not that we have learned a lot of things in the war that we can use in our peacetime products; the real news is that our American methods of production, our know-

how about the business, could be applied to the mass production of all these war things, many of which a good many of our people, not only in General Motors but in other places, had never even seen before. Anybody who really understood the essentials of progressive manufacture, accurate interchangeability of parts, and mass production, could take the blueprints of anything and, if the blueprints were right, he could make it in quantity effectively and efficiently. That is the real news, and that is the one factor that I think our Axis enemies overlooked. They didn't think we could get together in this country and do that job.

The CHAIRMAN. We fooled them.

Mr. WILSON. I think we fooled them. It was a little close, though.

The CHAIRMAN. Yes; it was close. The 18 months are what saved us.

Now I wanted to ask one more question, Mr. Wilson, and I think we have covered the situation. How many Government-owned and constructed plants are mixed up with your plants?

Mr. WILSON. The total floor space of the plants is about 12,000,000 square feet. There are 14 of them, 3 rather large ones on the order of 2,000,000 square feet or more.

The CHAIRMAN. These are Government-owned?

Mr. WILSON. These are Government-owned.

Senator FERGUSON. That is, each of them is 2,000,000, Mr. Wilson?

Mr. WILSON. No. There are 14 plants, totaling 12,000,000 square feet, in round figures. Three of those are rather large ones of the order of 2,000,000 square feet or more. The others run down to as small as 138,000 square feet. That is the smallest one.

The CHAIRMAN. Are any of these plants going to be useful to you for your purposes after the war so that you will be in the market to purchase those or lease them or make use of them?

Mr. WILSON. Frankly, we don't know. We haven't put the time on it yet to analyze the problem. We thought we would sort of find out now when the country thought it was ready to go at the job. If you men think so now, we will put a little time on it. After all, there are 450,000-plus of us, and perhaps if two or three hundred of us worked at it in total, it wouldn't be too unreasonable.

The CHAIRMAN. We don't want you to neglect your war work, but we do think you ought to be thinking about this situation.

Mr. WILSON. I think maybe you could trust us on that.

The CHAIRMAN. I think we could.

Senator FERGUSON. Mr. Wilson, you think it can be done, that a few can concentrate on that and not affect the war effort?

Mr. WILSON. Well, that certainly is particularly true in General Motors, the way we are set up. We have what we call a decentralized type of organization. We have the different pieces well organized as units to go ahead. They have got definite war assignments. There are a few of the rest of us who try first to work out the policies under which these things operate. As the war situation clarifies itself and we have settled on what the Government wants us to do in the war effort, we have always in General Motors tried to look ahead and straighten out the policy first, and then decentralize the administration, because if you centralize too much administration, especially in the absence of clearly defined policy, you get a great big pool and nobody knows what is going on it it.

So we would like to do the same thing we did getting into the war: We would like to have the facts from the Government, what can be done, and we would like to set down some important policies, not too many, but really the big ones, and then let our different plants start to do the job under those policies.

As I said, one of the first things I would like to do is to tell each of our plants to replace this bottleneck machinery, and I would like to have the Government let us place the orders with the machine-tool people, let them accept it, have some material, not interfering with their war work, but every once in awhile they have a spotty condition and they could do a little work on it. At least, we would have all the paper work behind us, and that would save some time.

The CHAIRMAN. What effect is cancelation of contracts going to have on all this?

Mr. WILSON. Of course, that gets back to this second point of what we will do with the physical plants, how we unscramble these things. Certainly it would be the sensible thing for the Government to say which machines are going to be available, and on what basis. Then we can say which ones we want. We would buy some of them now, just to get that much of it behind us, because the more that is left out there to be settled in detail, the more difficult it is to do it quickly. You can push any one thing, you know, and get it done almost overnight, but you can't push thousands of things that way. You can't make everything, you know, a red ticket. Then you get right back to where you were before. You can give preference to a very small fraction of something and help get that done, but you can't do the whole thing that way.

Then we would like to know what we can do with the surplus that we don't want or that the Government does want. We would like to know where to ship it and what to do with it to get it physically out of the way. We would like to know what the Government wants to do about the \$500,000,000 worth of inventory. I don't know whether any of you men have ever seen \$500,000,000 worth of anything. I never have, but I know it is an awful lot of stuff, and it is a tremendously big problem.

Senator BALL. That inventory is work in process, I take it.

Mr. WILSON. That is raw material and work in process in our plants.

Senator BALL. Is much of that going to be useful for peacetime production?

Mr. WILSON. Not very much.

Senator BALL. Most of it is just headed for the scrap pile?

Mr. WILSON. Yes.

Senator BALL. Then the policy would be to get it out of the plant and scrap it just as fast as possible.

Mr. WILSON. That is correct. We are trying to keep that down to a very minimum. In the first place, we don't want any excessive inventory when this war is over. We don't want to put the Government to that expense. We don't want it in our own way. There is no advantage at all in having a surplus of stuff that you don't have to have. So that we are trying to operate on a flow basis with the minimum amount of material and work in process that we can have and still maintain consistent operations in our plants.

So, that part of the problem comes in figures to about \$500,000,000 worth of inventory; perhaps three hundred to three hundred million dollars in receivables. The Government pays us on the average of about 33 days now, so if we shipped \$355,000,000 worth of products in October, perhaps around the 1st of December they will owe us maybe \$400,000,000.

We have orders with subcontractors and materials suppliers for something over a billion dollars worth of material. We have asked all of those suppliers to schedule the production in line with our requirements by the month, and not to produce in excess of the needs. We have a plan where we give a supplier or a subcontractor an order. We say to them, "You are in business with us. Here is the job that is to be done, but don't buy any more material than you have to buy at the minute to keep your plant going, and don't fabricate any more of it than you need to keep your plant going."

Then we have a system of releases to tell them month by month what to fabricate for us against this big order, with the idea that sometime the bell will ring and we will have to cancel a lot of stuff. How much they are going to charge us when we cancel those orders, we don't know. Maybe it will be 25 percent of the total output. It might be less; it might be more.

So if you gentlemen want to try to appraise the whole problem, we have in receivables and inventory, what you might call working capital items, about a billion, perhaps a billion and a quarter dollars, that will have to be accounted for financially and settled. The paper work and the money are one thing; the physical plants are another thing. We don't want to get tied up in arguments about the money, the technicalities of the law, from the point of view that a new group may have to come in to make the settlements, and have our physical plants tied up in the meantime. If that happens, it will be very bad for the country. Therefore, it is going to be very bad for General Motors also.

Senator BALL. What does that sum tied up in working capital mean in terms of your financial position in financing your conversion to peacetime production?

Mr. WILSON. Of course, we have tried to be a little far-sighted on that one, and we have a V loan negotiated for a billion dollars, so, if the thing got tight financially, maybe we could wiggle out of it some way, perhaps better than the smaller concerns. Maybe they haven't all been that far-sighted. I don't know. We hope we won't have to do it that way. We don't like to borrow money. After the last war, we had a mortgage on the General Motors Building. We all remember it very well, and we don't like it very well.

Senator BALL. That V loan is an R. F. C. loan, with a Government guaranty?

Mr. WILSON. That is right. It is a bank credit with a partial Government guaranty.

Senator BALL. So it is secured by those inventories.

Mr. WILSON. That is right. It is a plan so that the technicalities of the money don't get in the way of trying to do business. I think it is a very good scheme incidentally, but I hope it won't have to be used to its ultimate all over the country. I notice that Mr. Keller

talked about his similar situation. I think their credit range is \$250,000,000.

Senator FERGUSON. That is right.

The CHAIRMAN. Mr. Wilson, I think we have covered the points in which we are interested. If you have any further points you want to give this committee at this time or at some future date, we would be glad to have them, either now or at a future date.

Mr. WILSON. Just to sum the thing up, the No. 1 thing is to replace this bottleneck machinery. That will save important months getting back out of it, perhaps. The second is to clarify the Government's policy with relation to its facilities and inventories that are scrambled up in our plants. The third thing that bothers me—we will go along, of course, with anything that is decided, but I hope you won't try to do too much planning down here and too much administration. I hope that it will come back to clarifying some of the policies and laying down the rules of the game, then pushing back on the railroads what the railroads are going to do and pushing back on us what we think is our position.

The CHAIRMAN. That is exactly what we are trying to lay the background for now, to get rid of the red tape and get the job so we can go. I don't know how we can do it, but that is the reason we are talking to you, trying to find out what your viewpoint is.

Mr. WILSON. Perhaps in many ways in General Motors we have had the biggest experience outside of the Government in trying to run a big enterprise.

The CHAIRMAN. There is no doubt of that.

Mr. WILSON. We operate 105 plants; we operate in 46 cities, in 12 States, now. We have found that the only possible way we can run such an organization efficiently is to study the fundamental policy first and set the policy, and then push back to the plants the administration and detail of the business. The other way to do it is that, in the absence of settled policy, you try to administer everything so you don't set any wrong precedents, and then you get it all down in a big pool and nobody can tell what is going on. Then you get everybody all sweating and tied up because you can't get action.

Senator CONNALLY. Your policy seems to be a good one. Haven't you a man in your plant who can run for Congress?

Mr. WILSON. I don't know.

Senator FERGUSON. In other words, Mr. Wilson, you have to place the responsibility along the line. That is what you have in mind, that you hold them to a policy.

Mr. WILSON. That is right, and we try to think ahead and settle some of the fundamental things, you see.

The CHAIRMAN. We are trying to get a pool of the best brains in the country on this subject, and Senator George is doing the same thing. Senator George is working on a legislative program to fit this situation. We are working along on that situation. That is the reason we are talking to you.

Mr. WILSON. There is one more thing I should like to say about these facilities. We are willing to take any position on it, all the way from the fact that we don't get a dollar's worth of them (we are still

going to go ahead), or down to the point where we take the very maximum we can possibly use, depending upon what the Government wants to do about it. But we would like to know what that position is.

The CHAIRMAN. That is it. You want that answer.

Mr. WILSON. The second thing is that we don't expect any great bargains for General Motors. We don't want the country to give us anything. I don't believe in subsidies ordinarily for anything. I don't happen to be of that school. I don't want one for General Motors. We also realize that politically no one could give General Motors a bargain, anyhow, if he wanted to. It wouldn't be good politics for any of you.

Senator CONNALLY. It is a good bargain if they buy your cars.

Mr. WILSON. That is where we expect to make the bargains with the people. We want to do it that way. We like to be treated as well as the rest of the country is treated, but we don't want any preferred treatment of any kind.

The CHAIRMAN. That is the attitude I hope they will all take.

Mr. WILSON. I don't want you to look on those of us down here as a pressure group in any form, because we are not.

The CHAIRMAN. You are here at our invitation.

Senator FERGUSON. There is one question that I should like to ask Mr. Wilson. You mentioned that someone else may terminate these contracts. Do you have in mind that the same people who made the contracts, the contracting officers, should be in on the termination, that that would be a better way of doing it, if that is possible?

Mr. WILSON. It doesn't matter so much if the policies are clearly defined, but if you leave it only up to general equity or the administration of it, then of course we would be much better off to deal with the people who made the deal with us.

As Mr. Hunt said very aptly not very long ago, money is nothing and time is everything in war; after the war is over, time is nothing and money is everything. Do you understand?

The CHAIRMAN. Yes.

Mr. WILSON. So we don't want to get caught in that.

The CHAIRMAN. You want to equalize that, if you can, and have a common-sense approach to it.

Senator FERGUSON. Did you have in mind that you could not operate with a long audit?

Mr. WILSON. There aren't enough auditors in the world to do this auditing job in time to relieve us physically of the necessity, and I don't think our people are going to be very happy in this country to be unemployed for any great length of time.

Senator FERGUSON. While the auditors are working?

Mr. WILSON. That's right. I don't think that paper work should get in the way of activity and the creation of new wealth. We can argue a lot on how we subdivide the wealth, but the soundest, simplest thing is to create some new wealth and properly divide up the new wealth. That is the thing that makes the country sound.

Senator MEAD. Mr. Wilson, you made a point a while ago in favor of your contention that you ought to be permitted to modernize your plant and expand your plant facilities.

Mr. WILSON. I take those in the three steps you see.

Senator MEAD. You mentioned three steps.

Mr. WILSON. Right now I think it is sound to allow us to place orders to replace this bottleneck machinery so we can get something started again, and then expand that. The second thing is to clarify this matter of Government-owned facilities so that they would be available if they fitted into a modernization or expansion program, either one. Then the final thing is where we are going to go in effective capacity with relation to the products we are responsible for in our part of the industrial expansion of our country. You see, I happen to be on the optimistic side. I think we can have a better business, we can have a higher standard of living than we have ever had in our country if we are smart enough to do it right.

Senator MEAD. I think you are right, but in contending for the right to expand when material will probably be critical I think it would be well for you to know that I believe you will have a greater market than ever before throughout the world, and this will apply to every American automobile manufacturer, because you will find now that in Africa, India, China, in Egypt, and Australia, in New Zealand, and throughout the islands of the South Pacific, natives are driving American trucks, girls are driving American automobiles, the natives are becoming expert in the repair and conditioning and servicing of American trucks. For instance, in Australia I believe that we have thousands of American trucks manufactured by General Motors and other American companies that are augmenting the existing transportation facilities out there. Now, the presence of these trucks, the fact that men and women are driving them who are citizens of those countries, that mechanics are learning to repair them and service them, is in my judgment building up a reservoir of business.

Mr. WILSON. You don't need to sell me on the business. I'm sold on the automobile business.

Senator MEAD. I am not selling you on the automobile business.

Senator BALL. A pretty good salesman, too.

Senator MEAD. We have sold in this war to lend-lease and to other activities, other nations, that will be in the market for our product.

Mr. WILSON. That is the point that I was going to make a while ago and it slipped my mind. If we are going to export automobiles and similar kinds of things we know how to make well in our country, we are going to have to take other things back from those countries in return for those goods. We have to balance the books, so to speak. If we don't, we gradually build up a foreign debt and then some day it is nothing but paper and there is not much accomplished by having our people do a lot of work and give the stuff away. I am personally not for that. I think it has to be a two-way street, and that is the point—

Senator MEAD (interposing). Secretary Hull has pretty well taken care of that.

Mr. WILSON. I hope so.

Senator MEAD. If given support, he will finish the job.

Mr. WILSON. So actually the best thing that will happen for the world will be for each country and each group of people to do the things that they can do the best and then trade with each other. That is fundamental, as far as I am concerned. But it is no good for us to try to produce a lot of things in this country and loan money to other people to buy them from us. I am much more interested in raising the

standard of living of our own people. There are still a good many millions of people in this country who would like to have more than they have now and I would like to supply that demand first. I will go on the other one, too, if it is sound.

Senator MEAD. We have our one-third. But, anyway, there are millions of people all over the world who are now handling American trucks and automobiles, servicing them, driving them, repairing them, and that market must not pass to some other model after the war. So there will be a great field for our product all over the world, so it will help raise our standards, provided we, in turn, will take something that they furnish.

Senator BALL. Can I ask one question, Mr. Chairman?

The CHAIRMAN. Surely.

Senator BALL. This is a little bit off the Truman committee's jurisdiction, but I am wondering—you talked about the third step of an expansion after the war. How much of a factor in the decision of your directors as to whether you will expand will be the post-war deferral policies affecting industries, such as taxes, antitrust, labor relations, and that kind of broad policies.

Mr. WILSON. You have asked me a highly intelligent question because they are factors that do have to be taken into account by anybody who has that big responsibility; that is, the more encouragement the tax laws and the policies of the country give to business, the more courage the businessman has. The more you scare him, the less courage he has. That is a very simple principle.

Senator BALL. It struck me that the only way we can maintain employment at a level of production that will render service instead of building up unemployment is to encourage enterprise and initiative.

Mr. WILSON. The Government has a great responsibility to find some other catalyst than war to keep people reasonably employed.

Senator BALL. So the sooner after hostilities end that the Government can develop such policies, the sooner business will feel confident and can go ahead with the expansion that is possible.

Mr. WILSON. That is right. There is one more interesting thing about the present war business I would like to take a minute to tell you about. You hear a great deal about the changes of war products. We know about the changes in peacetime business. We have all gotten used to that. We brought out a model every year, we tried to make things better, we recognized early in this war that no military weapons were good enough for the tough life-and-death job we had to do, and if anybody could figure out how to make them better for the purpose, we had to make the changes and make them better. So we recognized that and said that was part of our job. In fulfilling that, we actually have several hundred engineers and technicians at the battle-front working for General Motors, and the services have cooperated with us in a highly intelligent way. Those men are in uniform, they have a special insignia, they are in about the same position as a war correspondent, and they are there to bring us back the actual technical facts about how this stuff works in the battle from our production angle, and bring the facts back in the shortest possible time. I thought you men would like to know that that was part of what is going on now. We have also trained this year over 40,000 soldiers and sailors and officers on how to repair and assemble and service the prod-

ucts. That was a little extra job that we thought we should do for the country. It is not exactly our job, perhaps, but in actually manufacturing the stuff we found we knew more about it from that angle than anybody else, and we should do our part. We trained officers to train their men. We trained over 40,000 of them, and that is in addition to the 200,000 new employees whom we had to train to work in our own plants.

Senator FERGUSON. Have you enough employees now?

Mr. WILSON. Mr. Hunt and I keep a record all the time of the things that are bothering us and why we can't get out more war production. These things are divided down into facilities, materials, engineering changes, inspection and shipping instructions, and labor shortage. The labor problem in General Motors is still one of the minor ones. Now we have recognized the manpower thing from the very beginning. That is why we tried to put war production in all of our plant cities where we already operated. We didn't make any great big expansion at any one place, get into any housing problems or hullabaloo of any kind. I don't think you have heard anything of this kind about General Motors. But we have in all these different sections of the country gone up in employment recently. There are only two places now where the men have reported that manpower is one of their limitations on production. All the other places by doing this advance training of the people, by training foremen on how to handle the people, have solved this problem. We have had 10,000 new foremen to train on how to train the workmen, so we tried to train them first. I don't want to be immodest, but perhaps we are getting a little more efficiency out of our plants than some others are, and we should. We have been in the business longer. We know more about work standards and how you handle the thing.

Senator FERGUSON. There is still room for more efficiency by the workmen.

Mr. WILSON. We are trying to do everything better. We are not too satisfied about anything. We hope to do better all the time in all these different things and we can.

The CHAIRMAN. Thank you, Mr. Wilson.

Senator CONNALLY. Thank you very much, Mr. Wilson. It was very enlightening.

The CHAIRMAN. Very good.

Let's proceed, gentlemen.¹

¹ The committee at this point heard Brig. Gen. Walter B. Pyron on the subject of the Canol project which appears in Part 22 of Hearings.

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

FRIDAY, DECEMBER 3, 1943

UNITED STATES SENATE,
SPECIAL COMMITTEE INVESTIGATING
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:30 a. m., pursuant to adjournment on Wednesday, November 24, 1943, in room 357, Senate Office Building, Washington, D. C., Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman, chairman, Mon C. Wallgren, Harold H. Burton, James M. Mead, and Homer Ferguson.

Present also: Rudolph Halley, executive assistant to chief counsel; Brig. Gen. Frank E. Lowe, executive to the committee.

STATEMENT OF WILLIAM GREEN, PRESIDENT, AMERICAN FEDERATION OF LABOR

LABOR'S PROGRAM FOR CONVERSION FROM WAR PRODUCTION

The CHAIRMAN. Mr. Green, I think you had a statement you wanted to make to this committee on the reconversion program in which we are somewhat interested. If you want to read that statement to the committee, I will be glad to have you do it.

Mr. GREEN. Very well, I will be glad to, Senator.

Senator Truman, members of the committee: The report of this committee presenting outlines of problems of conversion from war production¹ deals with the majority of elements in the problem which the federation has been considering. We realize furthermore that reconversion will probably come gradually, the first part after the end of the European phase of the war and the second after the conquests of Japan and its possessions.

Labor is vitally concerned that the problems of reconversion shall be dealt with promptly and for the purpose of getting our civilian economy functioning quickly and at high levels. This is a civilian job which must be guided by civilian experience and which will determine the course and mold of civilian industries for at least the next decade. It will determine employment and consuming power for the wage earners and their families.

Labor proposes a top policy council consisting of representatives of management, labor, farmers, the Senate, and the House of Representatives, the groups that in the last analysis will determine policies and their administration. This council should have the advice and the cooperation of the permanent Government departments with a responsibility in this field—Department of State (international eco-

¹ S. Rept. 10, Part 12, 78th Cong., 1st sess.

nomics and trade), Department of Commerce, Agriculture, Labor, Interior, Federal Reserve, et cetera. These agencies should serve the committee as consultants, not as voting members.

The council shall be charged with responsibility for making the general controlling policies to be followed in reconversion by governmental and private agencies.

There are three major functions to be performed in ending our war economy and facilitating return to civilian production. To this end we need to provide for war contract cancelation in the way that will release the maximum capital to invest in new civilian work; an agency to dispose of Government stock piles in ways that will not undermine the economy and its markets; an agency to dispose of such Government-owned production facilities as shall not be needed. For dealing with these problems the federation makes the following recommendations:

For the termination of war contracts, we recommend legislation to authorize the council to develop simple, uniform accounting and claim-settlement formulas; to settle claims on a company rather than a contract basis; to provide authority to the procurement agencies to negotiate final settlement with contractors on the basis of policies and procedures developed by the council; to make partial payments or loans on disputed claims mandatory in order that the contractor may especially resume normal operation; to make such loans without interest, except in cases of overpayment; to provide for appeals procedure first to the council and then to the courts; to limit the function of the Comptroller General to that of investigating fraud; and to provide for periodic progress reports by the council to Congress.

On the disposal of United States property, equipment, and materials, the council should be authorized to establish policies and procedures for a liquidation of this property in such a way as to stimulate an expanding economy. We do not want a repetition of what occurred after the last war when Government stock piles were held off the market, thus creating an artificial scarcity with resultant inflation. Nor do we want the reverse procedure—a dumping of property on the market, thus preventing speedy conversion and recovery of industry and mass unemployment. The conflicting interests of producers, wholesalers, distributors, retailers, and consumers will have to be reconciled. As in the case of termination of war contracts, policies should stimulate employment and production to the greatest possible extent. It has been estimated that the value of Government-owned equipment and materials may run as high as \$60,000,000,000, and that plants owned entirely or partially by the Government are worth many billions more. The disposal of such valuable plants and goods, whether to be scrapped or utilized, should be placed in the hands of civilian administrators with advisory committees representative of all interests, responsible for planning for the whole economy—for the benefit of businessmen, small and large, the consumers, the farmers, and the workers. There is too much danger of economic disruption if the liquidation of such huge resources is not timed to expedite our return to peacetime production and a better standard of living. There should be one administration to dispose of stock piles and one to dispose of buildings and unneeded land. Each administrator should have a committee advisory on administrative problems and representative of labor, employers, and farmers.

It would entail legislative action to create a representative council with such broad authority and the necessary administrators.

In addition to decisions on industrial questions which will determine jobs for workers, the speed with which settlement is made on some war contracts will condition the length of unemployment due to reconversion dislocation, the disposal of stock piles and equipment accumulated by governmental agencies, Government-owned plants and machinery—all are coordinate factors conditioning production and employment.

In addition to these agencies to terminate war production, there should be an administrative agency working with private industries during the period in which emergency controls continue.

The War Production Board has already begun to allocate the stock piles of certain materials to civilian industries for expanding commercial production. The War Production Board with its experience in conversion and its direct contacts with many industries and with its control of essential materials, would be admirably adapted to the task of guiding reconversion with these two major provisos: (1) It should operate in accord with the policies formulated by the citizens policy council previously recommended, and (2) industry committees should be revised to give adequate representation for labor and for small business, and labor assistants to the directors of all industry branches should be added.

It seems quite appropriate for me to state here that in the opinion of labor, Mr. Nelson, who has been Chairman of the War Production Board, has done an excellent job. We feel that he has rendered very distinct and outstanding, valuable service to the Government while serving as Chairman of the War Production Board.

THE CHAIRMAN. And do you think his services ought to be continued at the conclusion of the war?

MR. GREEN. That's what I wanted to point out, that because of this valuable training and experience which he has had, he is especially well equipped to continue the work of reconversion and renegotiation, and all that goes with a changed economy when the post-war period arrives.

I know of no man at the head of any Government agency that has rendered more valuable service than has Mr. Nelson as Chairman of the War Production Board.

Machinery should be authorized and put into operation at once, for post-war planning should begin now. For example, the council might direct the War Production Board to divert excess war materials to the production of machine tools, dies, and other equipment essential for reconversion. The shut-down necessary for reconversion may be materially reduced if basic equipment is ready and available.

Such governmental machinery would develop the general rules and make possible the return of responsibility to private enterprise and free unions.

During the change-over from war to civilian production, there must be replanning and retooling. During the closing down of war plants and conversion of industries to peacetime needs there will be unemployment of many workers for longer or shorter periods. The demobilization of Government war workers and enlisted soldiers will introduce more change. Advance planning and coordination of efforts

by all managements would keep unemployment to the minimum. But to maintain self-dependent workers during intervals when they cannot earn, there should be an adequate social insurance so that all shall have the necessities of living. The American Federation of Labor has proposed such a system, which is before Congress and known as the Wagner-Murray-Dingell bill.

Our program provides for demobilized soldiers as well as for workers incomes for those unable to earn because of sickness, loss of job, permanent disability, and old age.

Our program is national because of the mobility of American workers following the needs of industries organized on the basis of economic considerations and serving national and international markets.

Labor asks also for a national employment service. Since industries and labor markets are organized to meet economic needs, the structure of the United States Employment Service must follow the same lines. A labor market is coextensive with an area that supplies workers to an industrial community. For example, the labor market that serves Philadelphia reaches up to Trenton, down into Delaware, to the west into middle Pennsylvania, and to the east into New Jersey. The Alaska labor market ties into Seattle, while that of the Hawaiian and other Pacific Islands ties into San Francisco.

We need an effective United States Employment Service to connect workers with jobs and managements with workers throughout all United States territory with the least loss of time.

Social insurance is dependent upon income earning and can be maintained only where there are high levels of employment. Workers and returned soldiers will be very impatient with failure to provide them with jobs. They know that if they have to go on relief, their independence and even political freedom may be impaired.

Social insurance safeguards not only the economic independence of workers, but private enterprise itself.

Labor's welfare in the post-war months depends upon the availability of jobs, opportunities for vocational education and retraining, a federalized employment service to advise workers where jobs can be found and employers where to find workers, a Federal social-insurance system to provide workers with their earned right to incomes in emergencies that prevent income earning, a return to standards and working conditions geared to a free enterprise and established by collective bargaining. The American Federation of Labor accepts its responsibility for conserving and promoting its interests in the transition period.

The American Federation of Labor stands ready to cooperate with the Government and industry for the maintenance of our free institutions as the basis for the better world for which we hope.

That section of the report entitled "Labor" does not seem as judicious and constructive as the preceding sections. That is in the report that you prepared a short time ago.¹ This is not in a critical sense.

The CHAIRMAN. We are asking you here to give us your views on the subject, Mr. Green. We are glad to have them.

Mr. GREEN. The adjustment of wages to absorb increased costs of living has been far from automatic as the report seems to imply.

¹ S. Rept. 10, Part 12, 78th Cong., 1st sess.

Quite the contrary, labor made a no-strike pledge to the President and accepted membership responsibility in a tripartite board to stabilize wages. But the administration's part of that agreement has not been kept. The National War Labor Board was deprived of its status and authority and wages have been frozen, very largely so. The autocratic veto power of the Director of Economic Stabilization was then extended to other agencies determining wages. For instance, the railroad situation. Workers have relied upon working long hours to get income to meet increased living costs. Because workers are denied the right to increase wage rates to accord with increased productivity and employers' capacity to pay, we shall endeavor to restore equity by insisting that peacetime-hours standards shall be established without reductions in earnings.

High wage rates do not necessarily mean high labor costs. The committee falls into the same error that many business people do in its emphasis in stating that "the cost of labor constitutes a large portion of the costs of production." Most businessmen view their labor costs in terms of number of dollars rather than the relationship of their labor costs to the value of their product. According to the Census of Manufactures for 1939, labor costs in the various industries ranged from the lowest of 5 percent to the highest of less than 28 percent. The average relationship in all manufacturing was that labor costs made up only 16 percent of the total value of the products manufactured. If wages had been raised 5 percent, the increased value of the product would have been only eight-tenths of 1 percent, a sum which in many cases would have been readily absorbed in profit margin without increase in price of goods. But the number of dollars going to the workers and offering a market for goods produced would have been about half a billion. Assuming adequate controls against inflation, it is the axiom that the greater the national income is, the greater the market.

While it may seem quite contradictory, Senator, the facts show in a number of instances that an increase in wages has not increased the cost of production. Management has found a way through and by which it can absorb that increase in wages without passing it on to the consumer.

The CHAIRMAN. Of course, mass production and efficiency of labor in production is one of the ways in which that situation comes about.

Mr. GREEN. That is what I mean. It puts them on their toes. They develop efficiency. They find new ways and means by which they can increase production corresponding with the increase in wages, and as a net result, they find that the increase in wages has been absorbed and it hasn't been necessary to pass it on to the consumer.

The CHAIRMAN. Would an incentive wage add to that efficiency?

Mr. GREEN. Very greatly.

The CHAIRMAN. You think an incentive wage would have that effect.

Mr. GREEN. Yes; I think so, if properly and constructively applied. It depends upon the application of it very largely, and that depends upon management.

Mr. HALLEY. Mr. Green, do you think it is possible that by this increased efficiency management may decrease the total number of employed persons just at a time when the market is being filled with

other unemployed persons, and thus add to the unemployment difficulties?

Mr. GREEN. I don't think that will happen during the post-war period, because you must understand that in the adjustment that will take place, there will be a reduction in the number of hours worked per day; that is overtime will be eliminated, it is bound to be eliminated and that means that then they must maintain a larger force, perhaps on a shorter workday and shorter workweek.

Mr. HALLEY. If it will still mean though that by the efficiency they could pay higher wages to a small number of men, would you prefer paying the higher wages to the smaller number of men, or dividing the total wage available to the larger group?

Mr. GREEN. We don't want to create an army of unemployed. What we are trying to do on any wage basis that may be established is to find employment for all, and our position has been that the amount of work available ought to be distributed among all who are willing to work, and available for work, and that can be done by a reduction in the number of workhours per day and per week, work less hours rather than discharge people.

Mr. HALLEY. But if each man working the total number of hours has a total take-home equal to the take-home of a man working 48 hours a week now, would you be able to pay that total number of wages?

Mr. GREEN. It is hardly to be expected that a change can be made by which the total earnings of a man working 40 hours can be as much as the man working now 48 hours with overtime payments, without readjustment of wage rates, prices, marketing, and so forth. It seems to be economically unsound.

Mr. HALLEY. You don't go that far?

Mr. GREEN. I don't go that far.

A demand is made in the report that labor be "realistic," and in mentioning the "many wages adjustments" which shall take place in a return to peacetime operations, the committee's idea of being "realistic" quite obviously means that these wage adjustments must be revised downward.

I don't know—

The CHAIRMAN (interposing). Not necessarily, Mr. Green. It has to be a common-sense approach to just what we have been discussing. Efficiency and hours, I think, is the situation we are going to have to face.

Mr. GREEN. That, I am glad to learn, because I didn't think that you had that in mind, for what we do need is to maintain a high consuming power, as high as we can, as high as economic conditions will permit so as to create a market for the sale of civilian goods. That is another objective.

The CHAIRMAN. I think it all goes in a circle and one is absolutely dependent on the other.

Mr. GREEN. Yes.

If industry adopts such a plan—that is, of reducing wages on a Nation-wide scale—it will be cutting off its own nose. An example will illustrate this point. In manufacturing, when the workweek is reduced from 48 hours to 40 hours, and when the number of war workers is reduced by what will undoubtedly be approximately about one-

third from the war peak, these factors would reduce the annual take-home pay to about one-half of the workers' income at the time of the war peak if no counteraction is taken. Thus, if the annual pay roll, which is really the market for consumer goods, is around \$40,000,000,000 at war peak, that market will be reduced to around \$20,000,000,000 per annum after the war. Would not industry prefer to have a market of \$40,000,000,000 to compete for rather than one-half that size?

Now, that is an analysis of that situation. Of course, we all realize that when the change comes and time and a half for the sixth day is terminated, then there is going to be quite a change in the take-home pay. Furthermore, in this section that I referred to, your committee said:¹

But labor, like business, must recognize and fulfill its obligations to society. The alternative is Government regulation. The decision rests with labor.

I will not enter into the invidious distinction you make between business and labor responsibility. The statement is grossly unjust in view of labor's war record. The workers of the United States have cooperated almost 100 percent in the unparalleled output which will enable the United Nations to win this war.

Now, may I ask if you can prove that business has recognized and fulfilled its obligations to society in any more satisfactory way than have the workers of this country?

In fact, we have now reached a point where cut-backs are taking place in a very menacing way, and war material production plants are being stopped because labor has been quite productive and has gone up, up, up in the record of production which it has made until now even before the war ends they are threatened with unemployment.

Senator WALLGREN. That was to be expected, was it not? As we progressed, they acquired the know-how.

Mr. GREEN. Yes.

Senator WALLGREN. And we expected that production would increase.

Mr. GREEN. Yes; but we didn't expect it quite so soon, because it seems like we are still a good way from the end of the war, notwithstanding that there is a lot of optimistic points of view being expressed.

The CHAIRMAN. I think you are right about that Mr. Green, but there is also this to be taken into consideration. There are no invidious implications in the report of the committee as between labor and business. We think both have done a remarkable job during the war, but in the construction of these war-production plants in some specific instances, particularly the ones where these 150,000 men have been reported to have been laid off, they were not only overbuilt, but the experience in their operation was nothing, and when they learned how to operate them, naturally the efficiency of the plant increased and the necessity for the increased employment descended.

Senator WALLGREN. Many of them were hoarding labor, too.

The CHAIRMAN. Yes; a great many of them were hoarding labor, but that situation is naturally one that would work out of an experienced war-production program.

Mr. GREEN. Yes.

The CHAIRMAN. We are going, in my opinion, to have a situation like that to face, and that is the reason we are discussing these things

¹ S. Rept. 10, Part 12, 78th Cong., 1st sess., p. 14.

with you. We want to know if the American Federation of Labor has a plan and program to meet that very situation.

Mr. GREEN. Yes. Probably reference to this will help us a little.

The CHAIRMAN. It won't hurt.

Mr. GREEN. Let us remember that labor cannot be regimented without also regimenting business. Free enterprise cannot continue with labor regimented even though management may not be regulated by law. Administrative bureaucracy would restrict management's freedom, there is no question about that.

If labor has a responsibility toward society, then society also has a responsibility toward the millions of workers in this country who are facing problems of chaos and insecurity in their personal lives because of unemployment. If industry needs consideration, aid, and reassurance in order to make plans, how much more does labor, individually far more helpless than individual establishments, need the same sort of treatment and with equal right? Labor alone is not to be blamed if all does not go well.

The CHAIRMAN. We are not blaming anybody, Mr. Green. We are trying to get the responsibility centered in the whole cooperative effort, as we discussed the other night. If we can get labor and management and the producers and the Government to appreciate their responsibility, then this reconversion program will not be half the task that it will be if they are pulling against each other and each one looking out principally for his own interests and not the interest of the whole.

Mr. GREEN. Yes.

Now, there is an implication in the report, in discussing the housing industry, that the building trades, unless they assume responsibility for the revision of building codes and other reforms, should be blamed for depriving other workers of better housing after the war.

The CHAIRMAN. We asked Mr. Gray to come down here and discuss that today, and he saw fit to go to New York instead of coming to this committee.

Mr. GREEN. Who?

The CHAIRMAN. Mr. Gray. We asked him to come down here and discuss that very situation and give the Building Trades Council viewpoint, but he chose to go to New York.

Mr. GREEN. Is he scheduled to come?

The CHAIRMAN. He was scheduled to be here after you get through today, but he is not coming. He telephoned the committee that he had to go out of town.

Mr. GREEN. He will probably come later. Will you continue the hearings?

The CHAIRMAN. Yes; we are going to continue these hearings indefinitely until we try to get all the facts together where we can work out a constructive program.

Mr. GREEN. In your statement, on page 15 where you refer to the use of prefabrication and the use of new materials, you say that "every worker in the United States would have an opportunity to have improved housing for his family" under those circumstances.¹ It does not seem to have occurred to the committee that with full

¹ S. Rept. 10, Part 12, 78th Cong., 1st sess., p. 15.

employment "every worker in the United States" could have improved housing, even with antiquated municipal building codes, for which the building trades are most certainly not solely responsible.

The CHAIRMAN. That is true. They are to some extent responsible but not entirely responsible.

Mr. GREEN. In conclusion, may I state that I hope the committee will consider the responsibility of society for an improved and extended Federal slum-clearance program, long overdue, with the building of housing projects for the underprivileged—underprivileged, be it understood, through no fault of their own but because of lack of opportunity due to the irresponsibility of society and the Government toward them.

Now, I have covered it in that brief way and will be pleased to answer any questions that you might care to ask as best I can.

Senator WALLGREN. Mr. Green, up to now labor and industry as well have had rather a soft program. They haven't had to worry about much because the Government paid the bill. It didn't make any difference whether they were building ships or airplanes, regardless of what it might be, the Federal Government handed out the money. In other words, there was no real competition as far as industry was concerned.

Mr. GREEN. Yes.

Senator WALLGREN. You are going to face that, of course, when we hit the post-war period.

Mr. GREEN. That is right.

Senator WALLGREN. And there is one of your objects, because industry, I am sure, is going to be a little more aggressive, is going to get out in the field and try to meet competition with other firms, and that is going to create a problem for you as well, because in many instances those people are trying to exploit labor in order to try to keep the price of their product down.

Mr. GREEN. Yes.

Senator WALLGREN. There is one other point, too, and that is that under the most favorable conditions we are bound to have quite a serious unemployment condition during the post-war period, is that not true?

Mr. GREEN. Yes.

Senator WALLGREN. Have you estimated at all in numbers what the unemployment might be?

Mr. GREEN. No, Senator. We are working on that, because I agree heartily and fully with you, that after doing all we can to find a solution for the post-war unemployment problem, we are going to be faced with a degree, and I think a large degree, of unemployment, because you can't make these changes overnight. It will take some time. We know these big shipyards, airplane manufacturing plants, munition plants, that were built and created for a specific purpose, to produce war material, must of necessity close. There are millions of workers employed in all of those industries. There may be plants, like automobile and others, that were converted from civilian use to wartime use, that can reconvert to peacetime use in a rather reasonable length of time, and thus absorb a number of workers back into civilian production, but there will be an exceedingly large number of

plants that will close down just like that, just automatically, when the post-war period arrives. There is going to be a lot of unemployment, and what we are concerned about is to reduce that to the lowest possible minimum to bring about the cancelation of contracts quickly, to renegotiate settlements quickly, to avoid delay, in order that such plants as may be equipped, fitted, shall resume civilian production quickly.

That is one reason why we are apprehensive over plans that are being considered for the cancelation of contracts. We think authority should be conferred on somebody by act of Congress automatically to cancel the contracts, and then instead of negotiating for settlement between the Government and the employer over an extended period of time while the plant is idle, that these negotiations can be settled when the plant is in operation.

Senator WALLGREN. When you refer to the fact that there are cut-backs today that are even now beginning to create a problem, some of those cut-backs, I think, have come about by reason of the activity of this committee in pointing out that many workers have been hoarded in these plants and that the plants have gradually acquired the know-how and should maintain schedules with a reduced number of personnel. That has come about, we know, in several plants, such as the Dallas plant and many of the shipyards.

Mr. GREEN. That is very likely.

Senator WALLGREN. I think that is going to continue. They are going to work on that now, and in one measure that might sort of give us a start toward working these men into other industry.

Mr. GREEN. Yes.

Senator WALLGREN. However, when this war is over, not only will you have a great many people moved out of war plants without a job; you will gradually have the returned soldiers.

Mr. GREEN. That is right.

Senator WALLGREN. And as you know, there are a great many of those. I can see ahead of us a very serious problem, and I am wondering, too, how you feel about the machinery that we have in this country at the present time. We are supposed to have, we know, a great number of machines that will be idle when the war is over. There has been some talk of possibly shipping those overseas to some of the foreign countries to enable those people to rehabilitate themselves. How do you feel about that?

Mr. GREEN. I haven't given consideration to that subject, Senator. I didn't know that such a plan was being considered.

The CHAIRMAN. I don't know that it is being considered, but it has been suggested.

Senator WALLGREN. It is being discussed.

Mr. GREEN. That strikes me as a rather practical and constructive suggestion.

Senator WALLGREN. It is all right as long as the products that are manufactured are not shipped back into this country.

Mr. GREEN. Yes. May I point out that one encouraging aspect of the post-war period is this, that there will be an unusual demand for civilian goods when the post-war period arrives because so many people have been prevented from buying the civilian goods they need, owing to priorities and Government preference, and so forth, in pro-

duction, and the market for civilian goods will be stimulated because of the need for civilian goods.

Secondly, there will be a buying power then because people are making some money and they will have some money when the post-war period arrives, so that if that can be centered along right lines wisely, we can cushion the shock that will come from the economic changes that will take place. It will be a matter of reconverting civilian production industries as quickly as possible so as to supply this market with civilian goods. I place on that a great deal of importance.

Senator WALLGREN. I wouldn't put too much importance on it. It wouldn't take long to glut the market again with those products. I know we will be busy for a while.

Mr. GREEN. Don't you remember after the World War, with all of the blunders we made, there was a period of unusual industrial activity following the close of the war?

The CHAIRMAN. That is true.

Senator WALLGREN. Yes; but not for any great length of time.

Mr. GREEN. I don't recall how long it lasted, but we ought to have a longer period now than we had before.

Senator WALLGREN. Let's hope so.

Senator MEAD. This will be much more important for the reason that this global war has absorbed practically all of our manpower, leaving very little to do many of the civilian tasks that are necessarily postponed. For instance, I heard from the mayor of one fairly large city, and they have been forced by priorities and by lack of manpower to postpone millions and millions of dollars worth of public works, and unless it is done forthwith when the war is over, great damage to buildings and city structures will result.

Mr. GREEN. Yes.

Senator MEAD. And so, this is such a tremendous war, and it has taken so much of our manpower, so much of our necessary goods, that we have actually postponed years of work in this country, on the railroads and in cities and throughout the Nation, and I think that the first war isn't really a pattern for what is going to happen after this war.

Mr. GREEN. Yes. And then there is another encouraging aspect of it, and that is the need for extensive home building. If we can launch an extensive housing program following the war, it will have a very helpful effect.

Senator FERGUSON. Mr. Green, don't we have to get the pricing of housing, the price of construction, down to a point where people can afford to live in the houses that are built?

Mr. GREEN. There won't be much trouble about that for some time when the post-war period arrives, because everybody will have some money and they will want to buy homes. They will need homes. That would probably come later. It will come.

Senator FERGUSON. Have you that question in mind, that something can be done along that line?

Mr. GREEN. Yes. We are thinking about that and giving it very serious consideration, because you couldn't consider a housing program without considering that cost item.

The CHAIRMAN. Senator Burton, didn't you have a question?

Senator BURTON. Mr. Green, I am much interested in your constructive approach and the work that you are doing on this post-war period. The thing that impresses me about the difference between this post-war period and any other post-war period is the size of taxation and the burden of debt that the Government will be carrying at that time. We will have a taxation heavier than ever before in the history of the country and a debt 10 times greater than it was before the war. That to my mind means that in order to carry that debt, which we must carry in our stride because that is our bonds and our credit is tied to it, we must have not merely a reconversion to pre-war industry, but we must have a larger production, a larger post-war industry than our pre-war industry in order to carry the burden of taxation involved. That means we must not only consider reconverting to where we were pre-war, but we must consider means of actually increasing the national production, the national income. To do that, do I understand that you are also thoroughly in favor of cooperating with developing as many of these new types of products as possible? I refer to such things as going into new fields—into new fields of aviation, radio, electric power, automobiles, Fiberglas, plastics, all sorts of new types of things coming in.

There has been sometimes a resistance against going into new products because people were afraid they would put some old product out of business, but this time it seems to me so essential that we have a new total production that we should grasp hold of every new proposed product, and we need the support of labor in going into that philosophy. Do you agree with that?

Mr. GREEN. Yes, I do. I think that is an excellent idea, Senator. We would not join with anyone in trying to prevent the increased production or initial production of some new civilian need, civilian good, or civilian service. That is tremendously important.

Senator BURTON. That is one of the things that comes up, incidentally, in connection with the housing problem. There have been new developments in housing. They have been talking about prefabricated housing and things like that that perhaps involve less labor of the same kind that there was in the pre-war period, but as a whole that benefit that would come from a total increase of production of new kinds and many kinds, it seems to me, is of great national importance. With labor taking the position that although they recognize that to substitute a new article for an old article temporarily puts somebody out of work who is making the old article, there is no better time to do that than now, if labor takes that position, it seems to me, of promoting every possible thing that will add to the total production and national income, it will be a most helpful and constructive thing.

Mr. GREEN. Yes; I deeply appreciate the serious debt problem we will be called upon to face when the post-war period comes, and I know that, to raise the amount of money necessary to meet our obligations, we will have to increase productivity, and that will be highly necessary.

I suppose you have thought of the demand that will probably come to us from the impoverished nations abroad, too, for goods and machinery and material, and that ought to stimulate industrial activity here at the close of the war, because the power to produce abroad will be almost destroyed for some length of time, and then the employment

of individuals will be greatly hampered, and because of the lack of food, the lack of everything, there will be a tremendous need.

Senator BURTON. That leads me to the second question. I appreciate your pointing to that, because the increase to a greater national income for America needs really a new scale of production and a new scale of world-wide business to make that possible.

Mr. GREEN. Yes.

Senator BURTON. Therefore, your emphasis on increased foreign trade is an important factor in it. Therefore, you would say that in order that we may make use of, for example, the development in aviation, the development in our merchant marine, and the development in our increased productive capacity, we should do everything we can to promote a foreign market for it.

Mr. GREEN. Yes; I am heartily in accord with that.

Senator BURTON. Taking that one step further, of course, in order to have a good foreign market they have to be able to pay for it.

Mr. GREEN. That is right.

Senator FERGUSON. How are they going to pay for it?

Mr. GREEN. That, of course, is a problem.

Senator BURTON. Right along that line, pressing it further, in order for them to pay for it, it is necessary for them not merely to borrow money from us to pay it back.

Mr. GREEN. No.

Senator BURTON. We want them to create wealth over there.

Mr. GREEN. I had in mind that they must find a way by which they would be able to finance such purchasing.

Senator FERGUSON. You don't believe in just making it by American labor and then sending it abroad, without being paid for it.

Mr. GREEN. We can't keep that up indefinitely.

Senator FERGUSON. No.

Mr. GREEN. We are doing a lot of that now, but we can't keep that up indefinitely. That is out of the question.

Senator BURTON. With a view to leading to a greater over-all production, a greater over-all volume of business, then wouldn't it be consistent along the line that Senator Wallgren, for example, was indicating, if we can actually place machine tools, productive tools, and invest our money in plants, rather than loaning the money in many of these European nations, that increases their own productivity and, therefore, creates a larger volume of business and a larger buying power on their part? It is to our interest to do so.

Mr. GREEN. That impresses me as a very practical and constructive suggestion.

Senator BURTON. My next point is that in the kind of work we would be doing in the post-war period here, if we would be doing the work in private industry, commercial enterprise, producing consumer goods and durable goods here, that go into industry, that produces money from which we can pay taxes.

Mr. GREEN. Yes.

Senator BURTON. On the other hand, if we are doing mostly public works, that doesn't do the same thing at all.

Mr. GREEN. That is right.

Senator BURTON. Then, do I understand that your emphasis in the post-war period is on trying to get men back to work, but primarily back to work on private productive commercial industry—

Mr. GREEN (interposing). Primarily.

Senator BURTON. Rather than on the governmental public works.

Mr. GREEN. That is right. What I would like to see is that private industry should be the instrumentality through which we should absorb all of these workers and through which we will be able to serve society, earn the taxes that are to be paid, and so forth. The responsibility will rest upon private industry, too.

Senator BURTON. Therefore, while you do put some emphasis on social legislation and on unemployment legislation and public works, your primary emphasis is on making that as little necessary as possible.

Mr. GREEN. Absolutely. I have always felt that way. I have favored the public works program only where industry failed to provide opportunities for work for the unemployed as a remedy for unemployment.

Senator BURTON. To bring that about, your emphasis would be on a natural procedure through incentive; that is, so handling our taxation that it makes it possible for business and labor to develop together to increase production.

Mr. GREEN. Yes; and I think that the Government should find the way by which they could offer inducements to private industry to expand and develop rapidly.

Senator BURTON. Just to turn to one final question you raised at the end of your statement, you referred to the interest of labor in slum clearance.

Mr. GREEN. Yes.

Senator BURTON. Have you any comment on the situation in the District of Columbia, on the need for some slum clearance here?

Mr. GREEN. Well, I hadn't in mind going into any local situation. I was leaving it in a broad, general way. I am not sufficiently acquainted with that situation to express an opinion regarding it.

Senator BURTON. I thought perhaps it had come to your attention that in the Capital there is a substantial amount of slum area here that might need attention.

Mr. GREEN. It is my understanding that there are areas here where the need of slum clearance is very great.

The CHAIRMAN. Senator Mead, did you have a question?

Senator MEAD. No.

The CHAIRMAN. Senator Ferguson?

Senator FERGUSON. Mr. Green, I take it, then, that your answers indicate that you believe in the philosophy of plenty when we come to production, rather than the philosophy of scarcity.

Mr. GREEN. Oh, yes.

Senator FERGUSON. So we are going to have to produce a great amount. You said that you felt that industry had a great responsibility in employing men.

Mr. GREEN. Yes.

Senator FERGUSON. Don't you think that it is a combination of what some people call industry—I like to refer to industry as being management, labor, and capital—that it is the responsibility of those three parts which is really industry?

Mr. GREEN. Of course, I meant it in this way: Management and the owners of industry own and control industry; labor is seeking em-

ployment, looking for employment, and hoping that management and the owners of industry will afford it employment. When they become employed and are working together, then it is the duty of all to cooperate—management, labor, and I might say the Government as well.

Senator FERGUSON. But management and capital have nothing unless they have labor.

Mr. GREEN. No. If you mean that labor should cooperate with management in the promotion of plans and ways by which industry can—

Senator FERGUSON. I mean in producing at a cost at which industry or management can sell. Isn't that one of the requirements?

Mr. GREEN. Oh, that is one; that is a part of our whole economic scheme.

Senator FERGUSON. So we have got to compete with other industries in the country as well as with outside industries as far as labor is concerned.

Mr. GREEN. That, of course, is another phase of it, and that is competition between industry. I was considering industry as a whole.

Senator FERGUSON. As a whole.

Senator MEAD. Where you have an economy based on high-wage standards, as is the case in this country, compared with countries in Africa or Asia or any other part of the world, you have produced mass buying power that permits mass production—

Mr. GREEN (interposing). Yes.

Senator MEAD. Which permits low unit cost.

Mr. GREEN. That is right.

Senator MEAD. For instance, we build in the city of Detroit a million automobiles, whereas in some city in Europe that has an automobile factory they won't build a million automobiles in 20 years.

Mr. GREEN. Yes.

Senator MEAD. Therefore, their unit costs, even though their wage standards are low, are higher than our unit costs, even though our wage standards are high.

Mr. GREEN. Yes.

Senator MEAD. So, where you have mass production, you must have mass consumption, and that calls for a fairly high wage standard.

We have in this country still the one-third that is below the standard, and we can effect a very healthy change in our economy by picking up our one-third that is beneath the proper standards without doing any harm to our economy in its competition with the world. In one family here we may have two or three automobiles, and in some of the nations they wouldn't have one automobile per thousand families. That must be taken into account, and we must keep that healthy condition associated with mass production a continuing concern in our country, and that calls for a high wage standard.

Mr. GREEN. Yes. We have always preached that sort of economic philosophy. You can examine the record carefully, and you will find that labor has adjusted itself to the industrial change from individual unit production to mass production and has fitted right in in our mass-production economy. That was because labor saw in that an opportunity, you see, to lift their own economic standards to higher levels, because if, through the use of efficient methods, their costs could be reduced, wages could go up.

It is a singular fact, which it may seem contradictory, that the lowest cost of a produced material is found where the highest wages prevail. As you have pointed out, where there is abundance of labor employed at low wages, the costs are higher. A large number of people employed in a mass-production industry, receiving higher wages, serve to produce so efficiently as to reduce the cost. You will find even management preaching the point of view that high wages mean low costs, particularly if it is accompanied by efficient methods and efficient management. So we have preached that sort of philosophy; we have accepted it, and we shall always support it.

Senator FERGUSON. You view the post-war period in a good light; that is, you see that there is prosperity ahead for this Nation. You are not pessimistic about it.

Mr. GREEN. Oh, yes. I pointed out awhile ago that we will turn loose a tremendous buying power for civilian goods when the post-war period arrives. Just how large it will be, I don't know, and I don't suppose there is any expert in America who can correctly determine what that buying power will be. Then supplementing that will be the demand for goods from foreign countries. All of that will help us but, as I said here, that ought to cushion the shock. We ought to reduce unemployment to a lower period than we had following the First World War. But in spite of all that, we are going to have some.

Senator FERGUSON. What was the unemployment following the First World War?

Mr. GREEN. I didn't assemble the facts. It was pretty heavy for a little while.

Senator FERGUSON. That is in the first few months.

Mr. GREEN. For the first few months, but, strange as it may seem, there was a reaction and immediately we had a period of prosperity. It came along and lasted for several years during the First World War.

Senator MEAD. It gave us an opportunity to work out a permanent system.

Senator FERGUSON. Do you anticipate that our permanent system post-war will be a good period?

Mr. GREEN. I think it will. We made no preparations to deal with the post-war problems in the First World War because it ended so quickly and abruptly. Now we have an opportunity to prepare, and we ought to be able to cushion the shock.

Senator MEAD. We have the greatest merchant marine in all the history of the world.

Mr. GREEN. Yes.

Senator MEAD. We have practically well organized the greatest aviation industry, an aviation industry equal to that of all the world put together.

Mr. GREEN. Yes.

Senator MEAD. Therefore, with a well-directed economy, we can penetrate the trade areas of the entire world, provided we have a reciprocal agreement whereby we will exchange goods with them—raw materials for our finished products, for instance.

Mr. GREEN. Yes.

Senator MEAD. So, in my judgment the possibilities are stupendous, if we can take advantage of our newly developed aviation industry

and the equities we have in aviation throughout the world, and also put our merchant marine to work.

Mr. GREEN. Yes.

The CHAIRMAN. Are there any other questions, gentlemen?

That is all, Mr. Green. Thank you.

Mr. GREEN. Thank you gentlemen. It has been a very pleasant experience. I have enjoyed it very much.

Senator MEAD. You always make a very, very rich contribution to our well-being.

The CHAIRMAN. The committee will be recessed until the call of the chairman.

(Whereupon, at 11 :35 a. m., the committee adjourned subject to the call of the chairman.)

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INVESTIGATION OF NATIONAL DEFENSE PROGRAM

WEDNESDAY, JANUARY 5, 1944

UNITED STATES SENATE,
SPECIAL COMMITTEE INVESTIGATING THE
NATIONAL DEFENSE PROGRAM,
Miami Beach, Fla.

The committee met at 10:15 a. m., pursuant to adjournment on Monday, December 20, 1943, in the Miami Beach Senior High School, Senator Harley M. Kilgore, presiding.

Present: Senators Harley M. Kilgore, acting chairman, and Homer Ferguson.

Present also: Senator Claude Pepper, Florida; Rudolph Halley, executive assistant to chief counsel; Brig. Gen. Frank E. Lowe, executive officer; Lt. Col. Miles H. Knowles, Office of the Under Secretary of War.

The ACTING CHAIRMAN. The committee will come to order. The first witness is Mr. William G. Ward. Do you solemnly swear the evidence you give in the matter now in hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. WARD. I do.

TESTIMONY OF WILLIAM G. WARD, ATTORNEY FOR THE MIAMI BEACH HOTEL OWNERS' ASSOCIATION

ARMY ACQUISITION OF HOTELS IN MIAMI

The ACTING CHAIRMAN. Will you state your name, residence, and occupation?

Mr. WARD. William G. Ward, 2604 DeSoto Boulevard, Coral Gables, Fla. My official connection is attorney for the Miami Beach Hotel Owners' Association.

The ACTING CHAIRMAN. Mr. Ward, we will start out with how many hotel owners are in the association.

Mr. WARD. Approximately 140 to 145 at this particular moment.

Mr. HALLEY. And how many are there at Miami Beach?

Mr. WARD. Approximately the number of hotels and apartments involved in this particular matter was 348—hotels and apartments. Ours are all hotels.

The ACTING CHAIRMAN. Were all of the hotels which are members of the association taken over initially by the Army?

Mr. WARD. Yes, sir; every one of them with the exception, I think, of just two of them.

Senator FERGUSON. All but two hotels were taken over?

Mr. WARD. That's right—of this particular association.

Senator FERGUSON. But what percentage of total hotels was taken over?

Mr. WARD. In Miami Beach are. I would say approximately 70 to 75 percent of the total rooms over here were taken.

The ACTING CHAIRMAN. Do you have a prepared statement you want to make?

Mr. WARD. I would like to make about a 3-minute statement on the facts I assume will be admitted, or have been well established by previous hearings before the House of Representatives Military Affairs Committee. I have here what I assume is the official statement that General Arnold released to the press last night officially from Washington, a statement from which I will quote briefly.

Senator FERGUSON. There was a release last evening?

Mr. WARD. Yes. This is from the Miami Daily News last night, released out of Washington:

Arnold's statement points out that when it was realized that an officer candidate school would have to be established in order to provide administrative officers, a conference was called February 18, 1942.

It was brought out that construction of facilities would require 3 months and cost approximately \$1,000 per man. (Over-all housing costs through leased facilities was \$119 per man.) General Arnold called in Maj. Gen. Walter R. Weaver and asked him how soon he could get an officer candidate school under way at Miami Beach. It was then that General Weaver made his now famous reply, "Today is Wednesday; may I have until Monday?" The following Monday the first classes were conducted in leased quarters in Miami Beach.

(The document referred to was marked "Exhibit No. 910" and appears in full in the text above.)

Mr. WARD. Now, in June when I first presented this matter to— Senator FERGUSON (interposing). What date was that Monday?

Mr. WARD. It would be February 18; that was Wednesday, so the date would be the following Monday.

Senator FERGUSON. He issued it on the 18th of February 1942? Was it '42 or '41?

Mr. WARD. This is February 18, 1942, which was on a Wednesday, and possession was taken 5 days later.

Now, on the first report that was taken up before the Committee on Military Affairs of the House of Representatives (the first report being on October 20, 1942, and the second one on February 17, 1943) the first one is House Resolution 162 and the second one is House Resolution 30, the analysis of those reports which I have here contained in a Washington release I will read only because the digest is quicker and better than any report which I could make.

Senator FERGUSON. Mr. Ward, have you any different testimony from what was offered before the House?

Mr. WARD. Yes, sir. We were not permitted to testify before the House and none of the hotel owners were represented before the House. This is a finding of the consolidation of the House committee report showing this condition.

The Acting chairman: There was no testimony from hotel owners at all?

Mr. WARD. None whatsoever.

Senator FERGUSON. It was based upon testimony from someone else?

Mr. WARD: Apparently so; apparently from the analysis of Army leases and other testimony. None of the hotel owners that I know of were ever brought over in that picture.

Mr. HALLEY. Had the hotel owners requested the right to testify at that time?

Mr. WARD: No, sir; not at that time.

Mr. HALLEY. They were not complaining then?

Mr. WARD. They were complaining; yes; but not at that stage [reading]:

The savings effected by the War Department in the outlay for the lease are shown to average 24 percent less than the amounts paid for annual rentals by commercial interests for corresponding hotels, for which the amount of annual rentals paid by commercial operators and the War Department, are available. In this group of 27 hotels the annual rentals paid by the War Department for 25 hotels ranged from 5 to 37 percent less than the amounts of leases for commercial uses.

We hope that in this investigation a committee will be authorized by Congress to either rectify the situation or to provide for an investigating committee. I wish to state that in my many conferences in Washington—

(The documents referred to were marked "Exhibits Nos. 911 to 916" and are included in the appendix on pp. 8938-8945.)

Senator FERGUSON (interposing). Will you explain what you mean by an investigating committee?

Mr. WARD. I will be glad to elaborate on that. In my many conferences in Washington with Army officials, I met with the most courteous of treatment from Colonel O'Brien and his staff, and we were confronted with one situation: That the legal point was raised that there was no right on the part of the Army to renegotiate or to reconsider a lease where it would not benefit the Government. It was pointed out—

Mr. HALLEY (interposing). I would like to ask this: Did the question of renegotiation come up because you had certain proposals which you presented to the Army?

Mr. WARD. Yes, sir. We at that time requested that the Army appoint one individual to represent them; that the Truman committee designate an individual, and that either between the two or through the district court in Miami a third appraiser be appointed to investigate the acquisition of some three hundred-odd hotels and apartments in this very hurried and hasty manner.

Mr. HALLEY. That is the investigating committee you referred to?

Mr. WARD. That is the investigating committee we asked for at that time.

Mr. HALLEY. What is the purpose of that? To make an over-all general investigation, or rather to spend a great deal of time going into details in connection with each individual hotel?

Mr. WARD. We had never requested that, Mr. Halley, of the Truman committee and we don't expect that today. We want to present the general picture of the situation, the method of acquisition, the over-all, general basis of acquisition.

Mr. HALLEY. I understand that, but the question is this: As contrasted to the investigation you requested the Truman committee to make, was this other committee intended to be one which would ac-

tually look into the details of each case and make a specific recommendation in each case?

Mr. WARD. That's right; that's what we requested and knowing the Truman committee could not take the time to do that individually, but we were confronted at that time with this possible construction on the question that they had no power to renegotiate. It was pointed out at that time that out of three hundred and forty-odd contracts which had been entered into, and with the evident right of renegotiation on the part of the Army, there had not been one single effort by the Army to renegotiate any of those leases downward. That would mean something. It means that the whole base scale was considered low. Now, we also pointed out—

Senator FERGUSON (interposing). You have in mind that the Army claims they can renegotiate downward, but they cannot renegotiate upward?

Mr. WARD. Yes, sir; that is exactly what the contention is, and I must admit that in my opinion there is some legal basis under the present statutes.

Senator FERGUSON. Do I understand, as an attorney, you do not claim a legal right but an equitable right?

Mr. WARD. That is right. There are no legal rights that I know of; there are no forums to which our wrongs may be submitted. I wish to point out this feature: It might be a semilegal right. Article III of the amendments of the Bill of Rights says:

No soldiers shall in time of peace be quartered in any house without the consent of the owner, nor in time of war but in a manner to be prescribed by law.

Senator FERGUSON. But you do not claim here that there was no consent? You do not claim that the Army arbitrarily billeted soldiers in the hotels?

Mr. WARD. We say, Senator, that—

Senator FERGUSON (interposing). That has to be read in the light of the Revolutionary times when the British took a man's home and billeted the soldiers in it without his consent.

Mr. WARD. We say, Senator, that under the law as enacted by the Congress of the United States, known as the First and Second War Power Acts, the right of condemnation, the right of immediate possession, was provided for, and then the question of compensation was to be settled later.

Senator FERGUSON. I was merely asking this to get the legal angle.

Mr. WARD. We say here that the testimony which we will present for your consideration will show that there was such a condition of haste, of some hysteria, of some methods of acquisition that would amount in a court of law or a court of equity, had we opportunity of redress there, to at least a technical duress.

Senator FERGUSON. Was it haste on the part of the Army?

Mr. WARD. Haste on the part of the Army.

Senator FERGUSON. And on whose part was the hysteria?

Mr. WARD. On the part of the hotel owners.

That is the only statement I care to make unless there are some questions.

Senator PEPPER. Have you made any comparison of the rentals paid by the armed forces for the hotels used in this area as compared to the rentals for hotels used in other parts of the country, or did other investigations disclose any such comparison?

Mr. WARD. The Military Affairs report shows there was a differential of about 33 $\frac{1}{3}$ percent higher in the Atlantic City base¹ than down here in Miami Beach. Now, in addition to that there are other matters—

Senator FERGUSON (interposing). That is 33 $\frac{1}{3}$ percent higher, compared to what the commercial rates normally would be?

Mr. WARD. No; 33 $\frac{1}{3}$ percent higher was paid by the Army, on an average, in Atlantic City in the Army occupation there than here.

The ACTING CHAIRMAN. What was that 33 $\frac{1}{3}$ percent based on, square feet of space or cubic content, or what?

Mr. WARD. Apparently, Senator, there was no uniform method, and that is one of our complaints.

The ACTING CHAIRMAN. I mean in their report what did they use as a basis?

Mr. WARD. Per man, per room.

Senator FERGUSON. What percentage is occupied today? You say two were not taken over. Can you give us how many are occupied or held by the Army?

Mr. WARD. There were 109 apartments and hotels released last July. I think there were only 36 hotels, and the balance were apartments. There were 13 released in the fall of this year, if we want to group the annex of one of the hotels. I would say approximately 10 would be a more conservative estimate, because there were annexes involved.

I notice by the paper yesterday, or the day before, that there are 29 more that are contemplated to be released on January 31 up to the surf side or the north section.

Senator FERGUSON. Are most of these releases on the demand of the owners or requests of the owners?

Mr. WARD. As far as I know none of them are on the demand of the owners.

Senator FERGUSON. Voluntarily, then, by the Government?

Mr. WARD. Yes; as their war effort requires.

Mr. HALLEY. Some owners have requested the return of their property?

Mr. WARD. Many of the owners; as a matter of fact, practically all of them have requested the return of their hotels.

The ACTING CHAIRMAN. Let's get this down to something on which we can base something. In the first place, most of these hotels are what are known as seasonal hotels; isn't that a fact?

Mr. WARD. Yes, sir; tourist type, seasonal hotels.

The ACTING CHAIRMAN. What is the length of your peak rental season each year?

Mr. WARD. Peak rental would operate here from about December 5, in a majority of the hotels, until about May 1. There are exceptions, where some of them run throughout the period of the year. Now, some of the hotels—a certain class of hotel—perhaps their peak would be from the 10th of January to, probably, the 1st of April, when the racing season is over.

The ACTING CHAIRMAN. Now, what percentage of those hotels are closed during the season other than the peak season?

Mr. WARD. Senator, that is rather difficult to answer, because in the last 3 or 4 years in Miami there has been more year-round occupancy

¹ In this connection see Exhibit No. 925, appendix. p. 8954.

and operation by the hotels. Miami Beach has become more of a summer resort in the last 3 or 4 years. I would say that 5 years ago at least 50 percent of the hotels closed in the summer.

The ACTING CHAIRMAN. What is your normal rate in seasons other than the peak season? I am told it is considerably reduced.

Senator FERGUSON. How much compared to your peak rate?

Mr. WARD. The O. P. A. allowance has been fixed here—the O. P. A. rent control. It is fixed, I believe, upon——

Senator FERGUSON (interposing). What is your O. P. A. date of rental?

Mr. WARD. September 1, 1943.

Senator FERGUSON. And when were they fixed at that date?

Mr. WARD. They were fixed on that date, I believe the first order was around September 15 of this year, and later amended by one about 2 weeks later.

Senator FERGUSON. Was there no rate fixed in Florida before September 1, 1943?

Mr. WARD. The general act provided for the fixing as of October 1, 1942, but it was never put into effect—the Executive order was never put into effect.

Senator FERGUSON. In other words, Florida had no rent control until September 15, 1943?

Mr. WARD. Florida did, but Dade County did not.

The ACTING CHAIRMAN. Why was that?

Mr. WARD. Apparently there wasn't any necessity for it. They had it in Jacksonville and——

Senator FERGUSON (interposing). Did the hotel owners have anything to do with that, that it was not put into effect here?

Mr. WARD. Not that I know of.

Senator FERGUSON. This was a critical area, as far as housing was concerned, before September 1943.

Mr. WARD. Yes, sir.

Senator FERGUSON. But no rent control?

Mr. WARD. No rent control

Senator PEPPER. Is it not a fact, Mr. Ward, that the Army and Navy did not request the rent control until that time?

Mr. WARD. When it was requested, it was granted—largely requested through the armed services here.

Senator FERGUSON. Was there any hearing on this rent control? Did the association have anything? Were they called in or consulted?

Mr. WARD. No, sir.

Senator FERGUSON. Now, had rents advanced between we'll say, '39 and '40, and September 1, 1943, at Miami Beach?

Mr. WARD. I wouldn't say so, Senator. The high peak here was around February 1942 when this acquisition was first started here. I think that was one of the highest rent peaks we have ever had in Dade County. That was right in the middle of the season, just as today is, practically.

The ACTING CHAIRMAN. We have some slightly different information here. For instance, I have here a letter which states that 2 years ago one certain hotel here was charging \$50 a week for a room and the same people are in the same room at this time paying \$147 a week for identically the same room. That is one question that should be taken

up in consideration of this, also. Lowell Limpus writing for the Times-Herald of Washington, date line of last Monday, complains that the cost of apartments for officers and soldiers, and rooms for officers and soldiers here, in hotels not under Army control, is prohibitive, running as high as \$200 a month for a 1-room apartment with kitchenette. I am wondering if that price scale runs throughout the year, or what the O. P. A. is doing about that. We should consider those things also.

Mr. WARD. The analysis of the O. P. A. reports has not been made yet. They have only been in operation here for a few months and their hearings are postponed for 3 weeks or a month, as far as rent complaints are concerned.

Senator FERGUSON. When the O. P. A. fixed these prices did they mean it and hold them at that particular price, or is that article correct that they are charging much more than the O. P. A. rates? This heading is rather a startling heading, "Miami tourists landlords keep soldiers broke"—and that is dated January 2.

Mr. WARD. Senator, you will have to take into consideration the fact that there are several angles to the Miami and Miami Beach situation. Miami itself has its own problems that are distinct from Miami Beach.

Senator FERGUSON. I think that says Miami Beach.

Mr. WARD. In the Miami Beach situation, with 109 apartments and hotels thrown back last summer, without having any prior experience table for the O. P. A. period, I imagine that in some of those hotels they have had difficulty in establishing their base rate of what is to be charged. I would say that in the over-all picture of Dade County the rental situation, while high, has not gotten completely out of hand. It was getting that way, I feel sure, last summer.

Senator FERGUSON. Isn't this true: That if a base rate has not been established as of a certain date, before you can charge any rate you must fix it through the O. P. A.?

Mr. WARD. Yes; you have a chance, as I understand the regulation—you must file within 30 days.

Senator FERGUSON. Price control is in effect in Miami Beach?

Mr. WARD. It is based on the first 30 days of your new operation unless they issue an order otherwise. I do not intend, Senator, to imply that I am entirely clear on O. P. A. regulations. There have been several interpretations. I have read the bulletin many times, but the wording is subject to considerable argument.

The ACTING CHAIRMAN. Just a minute. I understand that there is a strict rule against smoking in this room, and I was not aware of it until General Lowe informed me, so will there please be no smoking.

Mr. WARD. I should like to explain this along that line: Practically every hotel in the Miami area—Dade County area—has set aside approximately 20 percent of their total accommodations, and they have furnished flat rates for single or double rates for uniformed men. I think that has been generally adhered to so far as we know.

The ACTING CHAIRMAN. The point I am driving at is this: In the study of the rental situation, of course, complaint is made on both angles, but the complaint is that hotels under Army control are really penalized in order that others not under Army control may profit enormously from the enforced patronage of the families of servicemen

stationed in the Miami area, and I think that situation should also be gone into a little bit. Here is one hotel over here that is under lease and complains it is a very inadequate rental in return for which they are not able to meet their bonded indebtedness and that sort of thing. Here is another hotel over here that is out from under that situation and, in accordance with a letter I have here, that hotel this year will be able to pay 75 percent of its total investment from the vastly enhanced revenue due to the, shall we say, Army occupation of the Miami area. These officers and soldiers are here under orders, of course, and they have no opportunity to choose where they will bring their families, if their families are to be with them, and we should also go into the question of fair adjustments in that direction, as well as fair adjustments on the other in getting our evidence together. That was the reason I was asking these questions.

Senator FERGUSON. The O. P. A., then, would be to blame if they are allowing that to go on.

Mr. WARD. I do not doubt that the few of the hotels now operating have a very lucrative proposition, in view of the demand and the lack of facilities. The place is crowded.

Senator FERGUSON. This 20 percent, do you mean 20 percent of the rooms are set aside for servicemen?

Mr. WARD. They are in Miami—generally in Miami—and I presume that prevails over at Miami Beach.

Senator FERGUSON. Have they got a flat rate per room?

Mr. WARD. Not to exceed \$3 per day, single, and \$5 per day, double. That is the Miami rate. I do not know what the Miami Beach rate is.

Senator FERGUSON. You do not know what it is in Miami Beach?

Mr. WARD. About the same.

Mr. HALLEY. Do you know whether the other services, such as the utility, transportation companies, have made any arrangements for the servicemen and their families?

Mr. WARD. I do not quite understand your question, Mr. Halley. Are you speaking of the bus companies?

Mr. HALLEY. The bus companies and other businesses furnishing services, such as restaurants and laundries.

Mr. WARD. The Miami Chamber of Commerce maintains a rent placement bureau there, and we are able to meet the demand. We have rooms available today in excess of the demand, in private homes. We can't give them luxury accommodations, but there is a peak that will overwhelm us. Right before Christmas the demand was quite heavy, but we placed 1,440 cases within a week's time and the demand ceased.

The ACTING CHAIRMAN. You see, Mr. Ward, there are at least three or four phases to this. The first phase is whether or not the initial contract arrived at was arrived at fairly. Of course, the fact that the contract was signed, that is to show if there was some sort of coercion in the signing of it. The second one is in process now and that is the discussion of cancelation of contracts and a fair and equitable cancelation. Of course, that has not been fully developed yet and there is also the fact that the Army also may possibly have been forced into commandeering property in order to protect servicemen against excessive charges, so I think you should develop those three points.

Mr. WARD. Let me develop those in reverse order. I do not know of a single hotel or apartment in this area that has ever been condemned for the purpose of housing families of these troops. There is a newspaper statement to the effect that the Flamingo Hotel, which has been occupied and is occupied by the Army, will be condemned under the Navy procedure. They have used condemnation in the Federal court in all of their acquisitions, to use property for housing of the families of the officers.

Senator PEPPER. That was by the consent of the owners of the hotel?

Mr. WARD. That I can't say. I am inclined to think it was not, Senator, but I do not know.

Senator FERGUSON. Mr. Ward, can you give the committee a general description of conditions here? Pearl Harbor was December 7, 1941. Then we come into '42. What was the condition here in '42—the beginning of '42—January?

Mr. WARD. Conditions, as I recall—and I state this from some personal experience—

Senator FERGUSON (interposing). How long have you been attorney for this association?

Mr. WARD. The association was not formed until March 2 or 3, 1943.

Senator FERGUSON. Then the association was not in existence. Mr. Rasco, do you have the picture? What is your business?

Mr. GLYNN O. RASCO. I am an attorney and executive manager of the Hotel Owners' Association.

Senator FERGUSON. You are not familiar with the housing situation here in Miami Beach, Mr. Ward?

Mr. WARD. I am familiar with it. I happen to be president of the Miami Chamber of Commerce today, and I was active then at that particular time you speak of. I was serving as president of the Miami Orange Bowl festival where we had to house thousands and thousands of people.

Senator FERGUSON. Were tourists coming here in the beginning of January 1942, or were there black-outs and such a condition that these hotels were not being used?

Mr. WARD. These hotels to my own knowledge, because I had to try to house thousands of people during the Orange Bowl festival, were loaded, filled, notwithstanding Pearl Harbor. We turned back something like 12,000 applications during the Orange Bowl game.

Senator FERGUSON. That would be an outstanding event.

Mr. WARD. That was a dead period here, around New Year's, and from that time on the buildings at Miami Beach and in Miami enjoyed, I think, one of their finest seasons that they had. We have statistics here which will show that.

Senator FERGUSON. The actual fact that war broke out increased business in Miami?

Mr. WARD. It increased it, yes, sir, rather than depleted it because of the war industry here, the center of activity here, the location of Miami in relation to the war.

The ACTING CHAIRMAN. At that time you had no gasoline rationing. What did gasoline rationing do to you?

Mr. WARD. Naturally, with gasoline rationing, there was some curtailment, but outside of certain periods, like 2 weeks ago when we

had a shortage here of gasoline for a few days, other than that there has not been any decided shortage. There has been strict rationing.

Senator FERGUSON. Are you on the same basis as Washington, as far as the gallons per coupon are concerned?

Mr. WARD. We have not been; we are now. You were on a restricted basis in the summer and early in the fall; you had a pleasure ban on and we didn't.

Senator FERGUSON. You have never had it on here?

Mr. WARD. Yes, sir; we had it on here for about 6 weeks last spring.

Senator FERGUSON. Just for a short period?

Mr. WARD. Just for a short time; yes, sir.

Senator FERGUSON. What percentage of Miami Beach hotels do you represent?

Mr. WARD. Mr. Rasco will have to tell you the total percentage. If you figure by rooms or by buildings—

Senator FERGUSON. You had better take rooms. That would be a little more accurate than to figure on buildings.

Mr. WARD. The association represents about 50 percent of the rooms in Miami Beach. Buildings, I'd say probably 40 percent of those types of buildings.

Senator FERGUSON. When you have been speaking here you have been speaking of Miami Beach rather than Miami?

Mr. WARD. Entirely for the Miami Beach situation. Correction: 85 percent of the rooms are represented by the association and 50 percent of the buildings. I refer to hotel rooms.

Mr. HALLEY. That would not include rooms in apartment buildings?

Mr. WARD. No.

Senator FERGUSON. So that the record may be clear, will you give the distinction between an apartment and a hotel—just so the record may be clear?

Mr. WARD. Well, the hotel, as we consider it here, carries a different type of license with it, and it does not have any cooking facilities or housekeeping facilities connected with it. The apartment, on the other hand—

Senator FERGUSON (interposing). Most of them have dining rooms?

Mr. WARD. A great many of them have dining rooms. The smaller ones, 50 or 100 rooms, don't.

Senator FERGUSON. But it is the housekeeping facilities that distinguish between hotels and apartments?

Mr. WARD. That is right. There is just one other point. Mr. DuPree, who is president of the Miami Beach Realty Board can answer it. The problem—going back to the acquisition and where I think the main trouble arose—is that the valuations and the leaseholds were figured entirely by the Army officers on the angle of barracks—so many could be accommodated per room. I think it was figured without relation to the value of the hotels and the public space involved. We don't pay taxes down here on the question of barracks. Taxes, interest, insurance, amortization, depreciation, are all figured on the basis of investment and value.

Senator FERGUSON. This lease that was taken did not exempt the Government from taxation or the building or furniture from taxation?

Mr. WARD. No, sir.

Senator FERGUSON. That continued as a personal tax and the real estate tax continued?

Mr. WARD. Yes, sir. In many instances, some of the furniture was removed because they could not use it all and the furniture had to be stored at the expense of the tenant which made a great expense.

The Acting CHAIRMAN. The tenant? Don't you mean the hotel operator?

Mr. WARD. The hotel operator; yes sir.

The Acting CHAIRMAN. The tenant, of course, under the contract was the United States Government after they leased the property.

Mr. WARD. That's right, sir.

Senator FERGUSON. Who determined whether or not the furniture would be taken out; the Government? Were all buildings leased with the furniture?

Mr. WARD. No, sir. I think Mr. DuPree, who was in at the initial stages of that, will be able to tell you. I wanted to outline the facts which I assumed were more or less considered to be settled.

The Acting CHAIRMAN. Let's get Mr. Tom DuPree.

Senator PEPPER. Mr. Chairman, I want to make for the record this statement that General Arnold made here on Sunday to the credit of the Army and the apartment owners: That the availability of these facilities and their use, in his opinion, has accelerated the Army Air Corps training program 6 to 8 months.

The Acting CHAIRMAN. Mr. DuPree, do you swear that the evidence you give in the matter now in hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. DUPREE. I do.

TESTIMONY OF THOMAS O'HAGAN DUPREE, PRESIDENT, MIAMI BEACH BOARD OF REALTORS

The Acting CHAIRMAN. Will you state your name, official connection and address?

Mr. DUPREE. My name is Thomas O'Hagan DuPree, and I am president of the Miami Beach Board of Realtors and a citizen of Dade County of 23 years' duration. I have been actively engaged in the real estate and building business in this area in the operation of apartments and hotels for all of that period of time exclusively.

The Acting CHAIRMAN. Are you financially interested in any of the hotels that are under lease or were under lease?

Mr. DUPREE. Yes, sir.

The Acting CHAIRMAN. Personally?

Mr. DUPREE. Yes, sir.

Senator FERGUSON. How many of them? How many rooms?

Mr. DUPREE. I am interested in one small hotel, several apartment buildings—not greatly interested. I am not a very wealthy man. I have a small interest in several buildings, but not heavily interested in any of them; not enough to bias or change my opinion about these matters.

The Acting CHAIRMAN. That was not the reason I was asking the question, but rather to get first-hand knowledge as to financial matters. When you invest money in a building, you figure that a man knows what he is doing in his investment?

Mr. DUPREE. I would have known more, if it weren't for the bust in 1926. I took a serious licking, but the only reason I don't have more interests is because I did not have more money.

ARMY NEGOTIATIONS FOR LEASING MIAMI HOTELS

The ACTING CHAIRMAN. Mr. DuPree, you were here when these hotels were being leased by the Army. Can you give us the facts surrounding those leases?

Mr. DUPREE. Well the first five hotels that were taken were the Boulevard, the Allen, the Collins Park, the Mayfair, and the Dorchester.

The ACTING CHAIRMAN. Were those big or small hotels?

Mr. DUPREE. Hotels ranging from 50 to 125 or 150 rooms. Most of those hotels were full at the time they were taken over.

Senator FERGUSON. They were filled with regular tourists?

Mr. DUPREE. Regular tourists.

The ACTING CHAIRMAN. What time of year was that?

Mr. DUPREE. In February, as I recall it, of 1942.

The ACTING CHAIRMAN. All right; go ahead.

Mr. DUPREE. Those leases were negotiated by a man named Talley and Lieutenant Holleman. Talley was a civilian with General Weaver, and the owners of that property had to give back people's money and get them out in 24 hours. There was real pandemonium to get them out. The troops were moving when the hotels were taken and then there appeared on the scene a different procedure.

Senator FERGUSON. You did not own any of the five which were taken in the beginning?

Mr. DUPREE. No, sir; I did not.

The ACTING CHAIRMAN. Do you know how they picked those hotels?

Mr. DUPREE. I think they picked them because they were across from the golf course where the parade grounds would be.

The ACTING CHAIRMAN. The first negotiation was to get the golf course for training field and then they selected five hotels across from that to quarter troops?

Mr. DUPREE. That was to be the officer candidate school.

The ACTING CHAIRMAN. For administrative officers for the Air Corps?

Mr. DUPREE. That's right.

The ACTING CHAIRMAN. How long did it take to complete negotiations there? What length of time were these negotiations carried on before the leases were closed?

Mr. DUPREE. They gave notice one morning that they were going to move in that night.

The ACTING CHAIRMAN. Were they going to do it by legal procedure or did they have a lease?

Mr. DUPREE. They came in and said, "We would like to take the hotels over."

Senator FERGUSON. Is this first-hand knowledge or is it hearsay?

Mr. DUPREE. In one instance I was present at the conferences and I think it was all very amicably arranged, but I think the element of speed entered into it very seriously, because the people had to be moved out very quickly. I think that the five hotels that were taken over

involved no dispute as to the price that was paid. They paid the price they normally would have rented for.

The ACTING CHAIRMAN. That was on an annual basis?

Mr. DUPREE. Yes, sir.

The ACTING CHAIRMAN. That is, if I were renting the hotel for tourist trade, it would have been at about the same price the Army paid for the first five hotels?

Mr. DUPREE. About the price the Army paid for the first five hotels; yes, sir.

Senator FERGUSON. Then you would see no complaint as to the first five?

Mr. DUPREE. I don't think there has been any. Most of those people are my friends. I have known several of those hotels and I have never heard the people complain about those five.

Senator FERGUSON. Have any of those five been returned?

Mr. DUPREE. No, sir. They are all still part of the officer candidate school. Then they moved into the picture here, where a Captain Fitch, for the Army, who set up an office to take over more hotels, and I was asked to do some appraisal for the Army on these things.

Senator FERGUSON. Did the Army seek a board of appraisal?

Mr. DUPREE. At that time I don't think they did, sir. The first proceedings were that Fitch came here with his force and he contacted me, wanted to know if I did not want to go to work for the Government in a capacity and I told him I couldn't. Then he wanted to know if I would do some appraising for him and I told him I would be glad to.

Senator FERGUSON. Do you know how he wanted to employ you for the Government?

Mr. DUPREE. I was getting around to that. He said, "The only way you can work is to sign a contract to work for so much per day." I said, "I don't need the contract; I am glad to do it as my contribution," but he did get me to sign a contract to appraise on the basis of \$25 per day. I don't think I ever worked as hard in my life.

Senator FERGUSON. How long did you work?

Mr. DUPREE. I worked for about 5 or 6 days and I think he asked me to appraise about 50 hotels. He was calling me in the morning at 7 o'clock and again at 12 o'clock at night, and I told him I couldn't appraise hotels on that basis.

Senator FERGUSON. The Army was trying to move fast at that time.

The ACTING CHAIRMAN. How many more appraisers did they employ?

Mr. DUPREE. I don't know how many more at that time. It was more or less the beginning of the whole process and they were trying to get a system ironed out. Then they took over a few more hotels on the basis of these appraisals and negotiations. I don't think they paid much attention to my appraisals, because the price—

Senator FERGUSON (interposing). Do you have copies of your appraisals?

Mr. DUPREE. I have copies of most of my appraisals.

Senator FERGUSON. Can you furnish them to the committee?

Mr. DUPREE. I don't know whether I am privileged to do that or not.

Senator FERGUSON. Colonel Knowles?

Colonel KNOWLES. The Army has no objection.

Mr. DUPREE. If the Army has no objection there is no reason I wouldn't be willing. Then they took over a few more and then all of a sudden—

The ACTING CHAIRMAN (interposing). How were these taken over? By negotiation?

Mr. DUPREE. Yes, sir; by negotiation.

The ACTING CHAIRMAN. In other words it was not a commandeering nor a condemnation, but a negotiation?

Mr. DUPREE. That is right. They negotiated and they drove pretty hard bargains, from my understanding.

Senator FERGUSON. Give us your personal knowledge of any hard bargain.

Mr. DUPREE. At that time—that particular time—I can't give you any personal knowledge, other than what people said to me.

The ACTING CHAIRMAN. You were so busy appraising you didn't have time?

Mr. DUPREE. I never worked so hard in my life. You know what it is running around a hotel from top to bottom and trying to estimate the property and do it on the basis that before you get back to the office he has given you five more to do. It's almost impossible and I told him it could only be a horseback appraisal, because no one could make appraisals like that. Then I heard no more from Fitch and then an article appeared in the paper that the Army was not going to take any more leases or come in with any more men, because the people at Miami Beach were trying to hold up the Army. That was the Army release to the papers and it was pretty general at that time.

The ACTING CHAIRMAN. Can you furnish us with any copies of that?

Mr. RASCO. Yes, sir; we can get the copies.¹

Mr. DUPREE. There was a citizens' committee appointed then and they negotiated under the citizens' committee.

Senator FERGUSON. Tell us some more about that citizens' committee. How was it formed? Who were the members?

Mr. DUPREE. There was a group gotten together, supposedly for the benefit of the Army and the hotel owners, and the people who wanted to lease their hotels were supposed to go in and offer them for lease, and then the citizens' committee was supposed to do the appraising and then the negotiators went to work on the people.

Mr. HALLEY. At whose suggestion was the committee started?

Mr. DUPREE. I think it more or less started as a result of the adverse publicity on the adverse position of the property owners. It put us in a bad light, because we didn't just turn things over, and I think a lot of people were more or less frightened in that.

The ACTING CHAIRMAN. Let me ask you a rather delicate question at this point. Was there some local pressure, shall we say, exerted by mercantile establishments, fearing loss of trade, to get the hotel owners together into this thing in order that they might get large influxes of people in for the purpose of merchandising? What I am trying to get at is how the Army was able to exert pressure on local groups.

Mr. DUPREE. I can give you the answer to both those questions. I think there was pressure from the merchants and from the Army. In fact, the Army might take a hotel on this end of the block and on

¹ See Exhibits Nos. 962, 967, 969, 973-976, infra, pp. 9022, 9026, 9028, and 9058-9089.

that end of the block and then put up a "no trespassing" sign and "no driving" and the people in the middle of the block were in an awful condition.

The ACTING CHAIRMAN. Do we have any actual proof of that?

Mr. DUPREE. Yes, sir; we can get people to testify to that.

(The documents referred to were marked "Exhibits Nos. 917 and 918" and are included in the appendix on pp. 8945 and 8946.)

Senator FERGUSON. Do you think that was deliberate on the part of the Army to block off people's property so as to compel them to rent it? Do you charge that?

Mr. DUPREE. I am not making a charge on that. I am saying to you that condition existed. The tenor of the condition in those people's minds is beyond me. I don't know what they had in mind, but the only thing I can suggest is that that condition did exist and I know you can find that to be testified to by numbers and numbers of people down here, and a lot of those property owners figured, "If we don't go and offer our property to the Army we won't do any business, because people can't get to our property with an automobile and, in some instances, can't walk to it."

Senator FERGUSON. Have you any knowledge as to where they were not allowed to walk to their properties?

Mr. DUPREE. I have no personal knowledge. I couldn't tell you definitely which ones they were, but my attention was called to it at the time. I think it's pretty general knowledge. I am not stating a condition that is known only to me. I think that has been admitted all over the Beach. I think you have testimony, too—positive testimony—to that effect, haven't you, Mr. Rasco? I know it is pretty generally known and I think the merchants exercised some power on these fellows. I think they said to them, "Listen, if the Army doesn't come in here and take these places over, business may be bad. We don't know." Everybody was panicky after Pearl Harbor. There are two sides to this proposition; but I do think that after this situation went on they took a lot of hotels and they took them on bases that people couldn't pay out. Some of the hotels were negotiated so cheaply that the people could not pay their taxes and they could not pay their interest and their insurance, and they couldn't pay their mortgages and, in many instances, there was nothing left at all for the property owners.

Senator FERGUSON. What is the tax rate here in Miami Beach?

Mr. DUPREE. The tax rate is 25 mills on about a 40-percent valuation.

The ACTING CHAIRMAN. Over all?

Mr. DUPREE. Just Miami Beach.

The ACTING CHAIRMAN. With additional county and State taxes.

Mr. DUPREE. The effect of taxes in Miami Beach and Dade County is about 2 percent of a fair value of the piece of property.

The ACTING CHAIRMAN. That would amount to 2 percent of the fair value?

Mr. DUPREE. Yes, sir.

(The document referred to was marked "Exhibit No. 919" and is included in the appendix on p. 8946.)

The ACTING CHAIRMAN. In these negotiations and appraisals, were these questions of, shall we say, bonded indebtedness, taxes, insurance,

and things of that kind taken into consideration and computed in fixing the question of lease?

Mr. DUPREE. As a rule, on the basis of appraisals, the basis that most of us fellows worked on, in the next session of taking over, they went to the board of realtors and we appraised, made an appraisal for them, and the basis on which we appraised, and the basis on which most of us have always appraised, is an allowance of 6 percent for the fair value of the land; 6 percent and 3 percent for the depreciation on the actual value of the building; and 6 percent interest with 10 percent depreciation on furniture, and if there was mechanical equipment, we allow 6 percent interest and 15 percent depreciation on mechanical equipment, plus insurance and taxes. That's the basis on which we said this would be a fair price for the Government to pay for this property.

Mr. HALLEY. At the time you were appraising for the War Department, did you have time to get those figures and materials?

Mr. DUPREE. At the time I was appraising in the hectic period I was explaining to you, I didn't have time to get all that information. I got as much of it as possible.

Senator FERGUSON. Did you take the owner's word as to the value of the land and building?

Mr. DUPREE. No, sir; no, sir. We appraised the value of the land and equipment in this later appraisal we are talking about; in the previous appraisals, in what time we had, we'd give them to our best knowledge and information about the same figure.

Senator FERGUSON. Did the real-estate board later come into the picture and do the appraisal?

Mr. DUPREE. In the last group of hotels that were taken over the board of realtors furnished the appraisers to work with Major Fitch, or Colonel Fitch I think it is now, to furnish him with appraisals on all the properties he would ask for appraisals on.

Senator FERGUSON. How many were taken under that basis?

Mr. DUPREE. Some 120 or 130 buildings.

Senator FERGUSON. And then did the Government pay on that appraisal?

Mr. DUPREE. I don't think in any instance did they pay as much as we recommended. I think it was always a subject of negotiation.

Senator FERGUSON. After the appraisal?

Mr. DUPREE. After the appraisal. It was a trading proposition. The Government would trade with the property owner and make the best deal possible.

The ACTING CHAIRMAN. What was the total number of rooms taken, over-all, over the whole program?

Mr. DUPREE. I should say—you mean apartments and hotel rooms?

The ACTING CHAIRMAN. That were used for the quartering of troops, not used for officers' families, but for the quartering of officers and troops here for training.

Mr. DUPREE. About 30,000, I would say.

Mr. WARD. Approximately 21,000.

The ACTING CHAIRMAN. How much do they still retain of that, or how much has been released, shall we say?

Mr. DUPREE. I should say about 35 percent of it has been released.

The ACTING CHAIRMAN. Has there been a reduction of that much in military personnel, or have other accommodations been provided?

Mr. DUPREE. There has been a reduction in military personnel; nothing like as many soldiers in training here now as there were.

The ACTING CHAIRMAN. How long did the peak period of the amount of personnel continue?

Mr. DUPREE. I should say from last fall until late spring, about November 1 until May or June 1.

The ACTING CHAIRMAN. Was there any indication in this program that they were taking over more space than they actually had to have? In other words, was there any indication of a misjudgment of requirements?

Mr. DUPREE. A lot of us that had some buildings turned back to us wondered if they took over enough, from the number of people in them and the damage done to them. In some instances instead of having three to a room they had four or five to a room.

The ACTING CHAIRMAN. That is customary, of course. What I am getting at is whether any of this taking over was an underestimation of need.

Mr. DUPREE. No, sir. I think the Army needed the space at the time they took it.

The ACTING CHAIRMAN. They took over the space for utilization and released it as soon as the need therefor ceased?

Mr. DUPREE. I wouldn't say they released it as soon because we have the condition that buildings have been vacant since last September that are just now being released.

Senator FERGUSON. In other words, they held them unoccupied since last September?

Mr. DUPREE. Yes, sir.

Senator FERGUSON. Do you know when the building on Lincoln and Michigan was vacated?

Mr. DUPREE. Lincoln and Michigan?

Senator FERGUSON. Yes. There is a building there which is held by the Army; there is just a guard there now.

Mr. DUPREE. I don't know when that was released.

Senator FERGUSON. It hasn't been released, but I want to know when it became vacant.

Mr. DUPREE. I don't know when it became vacant. That is the old Hamilton Hotel.

The ACTING CHAIRMAN. How many hotels and apartments are there now which have not been released to the owners and which are not being used?

Mr. DUPREE. I think there are quite a few scattered over the beach.

The ACTING CHAIRMAN. Would you have any figures to show that?

Mr. DUPREE. No, sir; I haven't any figures.

Senator FERGUSON. Do you know whether or not the owners are demanding that they get possession of those properties or are they satisfied to let the Government pay the rent and have them unoccupied?

The ACTING CHAIRMAN. Or is it a question as to the negotiation on contract cancelation?

Senator FERGUSON. Can you answer my question?

The ACTING CHAIRMAN. What is the cause of holding these vacant buildings unoccupied.

Mr. DUPREE. I will say to you this: Not to my personal knowledge are any of the hotel owners so anxious to get them back at this particular period of the year, because they probably wouldn't be able to get them ready to get income out of them this season, and the chances are they will have to carry them vacant next summer.

Senator FERGUSON. When they get them back, can they get priorities on paint, decorating, and material to put them back in condition?

Mr. DUPREE. I think the engineering department will work with these people to try to get priorities wherever possible. It is almost impossible to get labor—painters. You will have to shop all over town to get the paint you want. It is hard to get; it is more expensive to get; and it is difficult to get workmen to do the work in a satisfactory manner and do it quickly, and you pay twice as much as you ever paid before. You have to pay bonuses and everything else to get people to work for you. We have all been through that who have had buildings returned, and what I was going to say to you was that in these negotiations for hotels the Government said, "We will give you so much a year for these properties," and all of us were led to believe that the worst we could get out of it would be a year's income. Now you can see the effect.

Senator FERGUSON. You mean the worst or the best?

Mr. DUPREE. Anyhow, they had them for a year off of our hands. Now, they come along and keep them for 6 months and give them back to you and they keep them through the winter season when you have a chance to make money. Your taxes and interest—interest and amortization—are on a yearly basis, and instead of a year's rental they give you 6 months—six-twelfths of a year—or one-half, so we have the situation of a man letting the Government use his hotel for 6 months and pay for the privilege.

Senator FERGUSON. You feel, then, that the Government should cancel at the end of a year's period rather than in-between.

The ACTING CHAIRMAN. In other words, the representation made at the entrance of the contract was that it would be annual and the rental figures arrived at were based upon a 12-month lease rather than upon one which might terminate at the close of the winter season, leaving you with a dead season on your hands?

Mr. DUPREE. That is right; and in no instances do I know of any case where the Government said to you, "We will pay you so much a month for your hotel." They said in all of the negotiations, "We will pay you so much a year."

Senator FERGUSON. This complaint goes to cancelation rather than the making of the lease?

Mr. DUPREE. That is right; that is true; and coupled together with the fact that they did not pay a normal price when they took the hotels.

The ACTING CHAIRMAN. That is what we are trying to get at—to segregate the complaints into three classifications. First, the complaint as to a question of contract cancelation and what is the fair term of cancelation of a contract.

Mr. DUPREE. You see, gentlemen, most of these people wanted to be of service. Most of us have children in the Army. We are all interested in helping the Government and want to help in every way humanly possible, and we do not feel that we have done the Government any harm by having three-hundred-and-some-odd hotels here

available to house the troops in and we don't think the Government should take a punitive position to punish these folks down here because they had this property available, and I think it should be dealt with, not at arm's length, but I think we should be dealt with as though we were real citizens of the country, instead of taking the position that they want to drive the hardest bargain possible, and even in the turning back of these properties there was no spirit of negotiating damages in the sense that I have negotiated damages with my clients. We were not permitted, to start with, to go into these buildings with the Government negotiators.

Senator FERGUSON. Suppose we start with your particular leases. You have some leases?

Mr. DUPREE. That is right.

MIDTOWN HOTEL—NEGOTIATIONS FOR LEASE AND ADJUSTMENT ON RELEASE
BY ARMY

Senator FERGUSON. With the Government. Can you give us, not hearsay, but direct testimony as to your present complaint on those particular leases and give us the names of the buildings?

Mr. DUPREE. Take the little Midtown Hotel.

(The document referred to was marked "Exhibit No. 920" and is included in the appendix on p. 8947.)

Senator FERGUSON. How many rooms?

Mr. DUPREE. Thirty-one rooms.

Senator FERGUSON. When was it taken?

Mr. DUPREE. It was taken in November of 1942.

Senator FERGUSON. Was it appraised prior to taking?

Mr. DUPREE. It was appraised prior to being taken.

Senator FERGUSON. What was the appraisal?

Mr. DUPREE. That I don't know.

Senator FERGUSON. They didn't tell you that?

Mr. DUPREE. They didn't tell me that.

Senator FERGUSON. Tell us how that was negotiated.

Mr. DUPREE. They said the maximum they could give was \$5,000 a year.

Mr. HALLEY. With whom were you negotiating?

Mr. DUPREE. With John Frazure.

Mr. HALLEY. Who is he?

Mr. DUPREE. Head of the real-estate department for the Army bureau here.

Senator FERGUSON. An Army officer?

Mr. DUPREE. No, sir; a civilian.

Senator FERGUSON. A local citizen?

Mr. DUPREE. Yes, sir.

Senator FERGUSON. He told you all he could give you was \$5,000?

Mr. DUPREE. Yes, sir.

Senator FERGUSON. And what did you say?

Mr. DUPREE. I said, "If that is all you can give us and the Government wants it, they can have it. I think we are entitled to more money, but if that is all you are willing to pay, I don't think it's enough, but"——

Senator FERGUSON. At the present sitting, you say the Government owes you more than \$5,000 a year?

Mr. DUPREE. We had leased the hotel previously to the Government's taking it over for \$6,975 a year and had a year's rental security, and that was the position of that particular little property.

Mr. HALLEY. Mr. DuPree, were any representations made to you by Mr. Frazure concerning a maximum amount the Government could pay?

Mr. DUPREE. He said that is all they could give for 30 rooms.

Mr. HALLEY. Did he say there was a maximum number of men to be put in a room?

Mr. DUPREE. That's right.

Mr. HALLEY. What was that number?

Mr. DUPREE. He said that in this particular case they could only get, I think, 60 men.

Mr. HALLEY. Was that based on two in a room?

Mr. DUPREE. That's my recollection. He said, "We can only take care of 60 men in the hotel and therefore can only pay \$5,000 a year."

Mr. HALLEY. Did he say that was the maximum on a per man per month per room basis?

Mr. DUPREE. When they first came down it was one man to every 600 cubic feet of space.

Senator FERGUSON. But dollars per man?

Mr. DUPREE. Originally seven to ten dollars per month per man per room.

Mr. HALLEY. Were you told that by anybody representing the Government?

Mr. DUPREE. I think that was the first statement that was made by Lieutenant Talley, but I am not perfectly clear on that.

Senator FERGUSON. Where is this building?

Mr. DUPREE. Just west of Lincoln Road. They kept the hotel from November to July and gave it back and paid us for 8 or 9 months rent.

Senator FERGUSON. You mean 8 or 9 months, or for the period they had it, in other words?

Mr. DUPREE. They didn't pay us for the period of the rest of the year.

Senator FERGUSON. Was that building rented to someone else when you gave it to the Government?

Mr. DUPREE. It had been rented to someone else.

Senator FERGUSON. How long before?

Mr. DUPREE. Just a year prior to the Government taking it over it had been rented and we were operating it.

Senator FERGUSON. You were operating it at the time?

Mr. DUPREE. Yes, sir.

Senator FERGUSON. When you took it back did you make an adjustment with them?

Mr. DUPREE. Yes, sir.

Senator FERGUSON. And how much did the government pay you?

Mr. DUPREE. The Government paid us \$2,700 for 1 month's additional rental to put it in shape and the rest for rehabilitation.

Senator FERGUSON. How much was the rental out of the \$2,700?

Mr. DUPREE. One month would be about \$416 rental.

Senator FERGUSON. And they gave you, in all, \$2,700?

Mr. DUPREE. That's right.

Senator FERGUSON. How did you negotiate that settlement?

Mr. DUPREE. At first we couldn't go down with their adjuster and they offered me \$700.

Mr. HALLEY. What do you mean you couldn't go down with their adjuster?

Mr. DUPREE. They called me and said they wanted to return the property, and to make an adjustment.

Senator FERGUSON. They wouldn't let you in to see it?

Mr. DUPREE. They said, "You can't take anybody with you. The only way you can go is to go with our man and he will tell you what he thinks it will cost to put it back in shape."

Senator FERGUSON. They wouldn't prohibit you from going in?

Mr. DUPREE. Not by myself.

Senator FERGUSON. I see.

Mr. DUPREE. But not with an appraiser.

Senator FERGUSON. But you are an expert yourself?

Mr. DUPREE. I know right much about building.

Senator FERGUSON. You could go in with an Army officer?

Mr. DUPREE. Their expert. This real estate project division had their own men to go through with, but they wouldn't let you go through by yourself with your own appraiser.

Senator FERGUSON. Did they give you any reason for that?

Mr. DUPREE. They said, "We want to get through real quick. We are going to pay cash and we want this thing behind us," so finally I said, "That sounds awfully funny to me, but I don't think anybody can put anything over on me so I'll go with your men," so I went and they offered me the munificent sum of \$700 and I said, "I am not even mildly interested in \$700," so then they adjusted most all of the others and ours was one of the last ones and then I got permission and Colonel O'Brien came down and we brought this question before him. They said first that they hadn't refused permission to go in, and then they admitted they had, and they said they had not offered one sum and later raised it double, and I proved they did. They admitted they had and then they permitted us to go into the property with our own appraisers. Then I went in and filed a claim that it would cost \$3,600 or \$3,700 to put the building in shape, and after readjusting it they offered me the settlement of \$2,700 and I accepted that and it cost me \$4,000 to put it in condition. So I got \$3,600 rent and I got \$2,700 adjustment in this little particular case and this is almost identical with other people's cases. I paid \$4,000 out of that for improvements, replacements, and I spent \$1,200 for taxes and insurance, and I spent \$600 on the lawn additionally, and I paid the Government \$1,000 for the privilege of letting them use it for 9 months.

Senator FERGUSON. Have you any more to say on that particular building?

The ACTING CHAIRMAN. Just a minute. You said they stated at the outset the price was based on occupancy of 60 men in the building. Have you any actual knowledge of how many men were in the building?

Mr. DUPREE. No, sir; I don't; not in that particular building. That building was—well, you couldn't get in them to count them. You could only count the number of people going in and out, Senator.

The ACTING CHAIRMAN. I see.

Mr. HALLEY. Before you get to another property, I want to ask a question. In the course of your negotiations, was the 30-day cancela-

tion clause mentioned? While you were negotiating for renting your property did you understand the 30-day cancelation clause was inserted in your lease?

Mr. DUPREE. I think all of us understood that.

Senator FERGUSON. To clear up one point, you said you were to get \$5,000 for a year, but they did not actually keep it a year.

Mr. DUPREE. No, sir.

Senator FERGUSON. So they paid you \$3,600 for the period they did keep it?

Mr. DUPREE. That's right; \$416 a month, Senator.

Senator FERGUSON. And they kept it—

Mr. DUPREE (interposing). Including the \$400 additional rental they gave us for the repair period, they paid us a rent of \$3,600.

The ACTING CHAIRMAN. And you repaired it?

Mr. DUPREE. Oh, yes.

The ACTING CHAIRMAN. What was the total cost of repairs?

Mr. DUPREE. About \$4,000.

The ACTING CHAIRMAN. Was anything additional put in there that was not put in in the first place?

Mr. DUPREE. No, sir; it's not in as good condition as it was before. Another thing is that I haven't told you about that when the Government came in, the people wanted the linens and most of us let the Government have the linens. They needed them for the boys.

The ACTING CHAIRMAN. Did you sell them to them?

Mr. DUPREE. We sold them to them and let them fix their price and they usually gave us, probably, about 50 percent of the cost of the linens, and when the Government gave them back to us, the blankets were not usable and there were no linens, of course. The Government kept the linens and we were forced to go out and pay about two and one-half times as much for linens as we had had to pay previously, and above five times what the Government had given us for our linens, which we would still have and which would still be usable if we had kept them.

Senator FERGUSON. Is there any price control here?

Mr. DUPREE. Yes, sir.

Senator FERGUSON. And you say you are paying two and one-half times as much?

Mr. DUPREE. It must be the ceiling. We are paying \$19 a dozen for linens that we used to pay about \$8 for. Of course, they change the name of the brands and then they can raise the price; that is my understanding.

Senator FERGUSON. That is the fault of the O. P. A.

Mr. DUPREE. But when people want to pay for the use of a room you don't go and fuss with the O. P. A.; you go and pay for the linens. We are placed in a position where we can't help ourselves. So that is that side of it.

Now, on Mr. Halley's question, when the first leases were negotiated here, and I am familiar with those leases, there was no 30-day clause in any of them, and then the Government came back and asked people to take the 30-day clause and a great many people did. I knew it was a 30-day clause when I negotiated.

Mr. HALLEY. But some people did not?

Mr. DUPREE. I am sure of that.

Mr. HALLEY. You say you were counting on getting at least a year's rent. Did you have any reason to rely on getting a full year's rent when you signed the lease with a 30-day clause in it?

Mr. DUPREE. Of course, we figured as long as the war was going on we were led to believe that they were going to keep these places for the duration.

Mr. HALLEY. Were you told anything by the Government to make you think they were going to keep them for the duration?

Mr. DUPREE. It was more or less told to all of us that they would keep them.

Mr. HALLEY. When you appraised for the Government were you told to use the annual basis?

Mr. DUPREE. Only an annual basis; no other basis whatever.

(The documents referred to were marked "Exhibits Nos. 921 and 922" and are included in the appendix on p. 8948.)

Mr. HALLEY. After you signed your agreement for rental, did the Government occupy your hotel fairly promptly?

Mr. DUPREE. After we gave them permission to go in, long before we got a lease, they were in there before we could get the furniture out—the furniture they asked us to remove.

Mr. HALLEY. And your lease came after occupancy by the Army?

Mr. DUPREE. In some instances as much as 2 months afterward.

Mr. HALLEY. In your own case?

Mr. DUPREE. In our own case; yes, sir.

Mr. HALLEY. Were there any changes in conditions between the time that you agreed to rent and the time you received your lease? Did anything happen? Was there, for instance, a report made on the condition of the hotel?

Mr. DUPREE. Yes, sir. Sometime, in this particular case, about 30 days afterward they gave a report of the condition of the hotels, and reported all the stains and every little blemish in the hotel.

Mr. HALLEY. Was that report made after the Army occupied the hotel?

Mr. DUPREE. The Army had been in 30 days, in most instances, or sometimes 60 days.

Mr. HALLEY. Before they made the report. Did you agree with the report?

Mr. DUPREE. They handed it to you and said, "Here it is. You might as well accept it. You can't do anything else about it." So we accepted it.

Mr. HALLEY. Was anything said about rent being withheld until the report was signed?

Mr. DUPREE. Yes, sir. There was a statement made and nobody got a rental check until all those conditions were met and in some instances it was 5 or 6 months after the army moved in before people got any money.

Mr. HALLEY. Were you given permission to go through the hotel with the people who made the report on the condition?

Mr. DUPREE. No, sir.

Mr. HALLEY. That was handed to you by the Army?

Mr. DUPREE. That's right.

Senator FERGUSON. But you knew the condition of your hotel?

Mr. DUPREE. Oh, yes.

Senator FERGUSON. Was this statement correct or false?

Mr. DUPREE. Of course, we think that there were——

Senator FERGUSON. (interposing) : On your Midtown Hotel.

Mr. DUPREE. On the Midtown, we think there were a lot of things they claim were done when they moved in there that were probably done after they moved in there.

Senator FERGUSON. Not probably; I want to know whether you claim there was fraud by the Government.

Mr. DUPREE. No, no; I am not accusing the Government of fraud. I think they got around as fast as they could get around to them, and it just so happened the soldiers had been in these places for 30 and 60 days and some of the damage they showed on the report of condition was not there when they moved in.

Mr. HALLEY. Do you know it was not there from your own knowledge?

Mr. DUPREE. I can't point out specific cigarette burns, but I am confident in my own mind it wasn't there.

Senator FERGUSON. How many rooms are there at the Midtown?

Mr. DUPREE. Thirty-one, sir.

Senator FERGUSON. When the Government came to negotiate with you, how many were occupied?

Mr. DUPREE. When they came to negotiate in November, the hotel had not been opened.

Senator FERGUSON. The hotel was then closed and would not have opened until when?

Mr. DUPREE. About the first of November, when the negotiation was started, just before the first of November.

Senator FERGUSON. All right. Let's take one of the other buildings. Were any others turned back to you?

Mr. DUPREE. You are speaking of buildings that I am interested in; that I manage or control?

Senator FERGUSON. Either one; hotels that you negotiated the leases for and negotiated taking back.

SURF AND SAND APARTMENTS—ACQUISITION AND RELEASE BY ARMY

Mr. DUPREE. The Surf and Sand Apartments at 8845 Collins Avenue.

Senator FERGUSON. How many rooms?

Mr. DUPREE. It has 19 apartments.

Senator FERGUSON. When did they take that?

Mr. DUPREE. Sometime during November.

Senator FERGUSON. The same time that they took the other. What was the rental on that one?

Mr. DUPREE. \$11,000 a year

Senator FERGUSON. Had it been rented before?

Mr. DUPREE. Oh, yes.

Senator FERGUSON. Was it open at that time?

Mr. DUPREE. No, sir.

Senator FERGUSON. It was not open at that time?

Mr. DUPREE. No, sir.

Senator FERGUSON. Do you claim that was or was not a fair rental?

Mr. DUPREE. I think we should have gotten more, probably, for it, and I think we should have had 12 months' rental.

Senator FERGUSON. Has it been turned back?

Mr. DUPREE. It has been turned back.

Senator FERGUSON. When was it turned back?

Mr. DUPREE. Last July.

Senator FERGUSON. So they held that one for some 9 months?

Mr. DUPREE. About the same time; yes, sir.

Senator FERGUSON. The same period?

Mr. DUPREE. Yes, sir.

Senator FERGUSON. What damage did they pay you there?

Mr. DUPREE. They paid us about \$5,000 for 1 month's rent of \$900 and \$4,300 damages, approximately.

Senator FERGUSON. These leases, when you negotiated them, what was said about when they turned them back? Was it reasonable wear and tear? Was that put in the lease? You are a real estate operator?

Mr. DUPREE. The first leases were predicated on civilian wear; the first leases that were negotiated. A lot of leases, and in the case of the Surf and Sand, had a clause that was ambiguous. It went ahead and said the damages should be adjusted on civilian wear and then in the next paragraph it said something about barracks-room usage.

Senator FERGUSON. Did it use the word "civilian"?

Mr. DUPREE. In the first place, yes, sir; and in the latter portion it said something about barracks room usage, and immediately upon their rehabilitation they said, "We are going to eliminate the question of barracks room and make this adjustment on civilian usage."

Senator FERGUSON. Did they do that?

Mr. DUPREE. Well, they didn't give us enough money.

Senator FERGUSON. How much did it cost you to put that one back into shape?

Mr. DUPREE. About \$7,500.

Senator FERGUSON. Was that because of the increase in costs here in Miami Beach?

Mr. DUPREE. Partially, Senator; yes. It was also due to conditions which they said they had nothing to do with. In this particular property we had a vacant lot that was grassed and pretty, and they tore it to pieces, and to put it back in we had to replant and put it in condition, which was an expense.

Senator FERGUSON. Are you now renting the Surf and Sand?

Mr. DUPREE. It is all full; yes, sir.

Senator FERGUSON. Has an O. P. A. ceiling been placed on it?

Mr. DUPREE. Yes, sir.

Senator FERGUSON. What will be your rental now?

Mr. DUPREE. \$28,800.

Senator FERGUSON. That has been approved by O. P. A.?

Mr. DUPREE. Yes, sir; and that is about \$3,000 less than we got when the Government took it.

Senator FERGUSON. But it has been approved by O. P. A.?

Mr. DUPREE. Yes, sir; yes, sir.

Senator FERGUSON. On this hotel and apartment, did you request them to be returned or why were they turned back while others were not?

Mr. DUPREE. They were all turned back in that particular area.

Senator FERGUSON. So there has been no turning back of one and keeping of another. They have all been turned back in that area?

Mr. DUPREE. They have, except one, all been turned back in that area. I think there is one hotel there. But everything up on Surfside was returned.

Senator FERGUSON. Do you claim the Government has shown favoritism in turning back?

Mr. DUPREE. No, sir; I haven't made any statement of that kind.

Senator FERGUSON. You don't claim that to be a fact?

Mr. DUPREE. No, sir; I think the Government has shown bad timing in turning back some of these properties that have been vacant since last September. They could have given them to people in time to get them ready and relieve some of this housing shortage here.

Senator FERGUSON. But you don't claim any favoritism?

Mr. DUPREE. None that I know of.

Senator FERGUSON. Have any other of your properties been turned back?

ARMY ACQUISITION OF HOTELS IN MIAMI

Mr. DUPREE. The only other property that we manage that we have charge of is the Peter Miller Apartments, which was the first of all of the apartments turned back last February right in the middle of the season, and we were glad to get it back. We were kind of given a rush act on that. They wanted us to accept six or seven hundred dollars for repairs and damages. That was occupied not by enlisted men; it was occupied and rented to Army officers, and they offered us, I think, seven or eight hundred dollars for the repairs of that property. One of the men in the Army office down here said they had to get very quick action and that I had to make up my mind very quickly on what we were going to do, although there were numbers of people who wanted to rent these apartments and we had a tremendous shortage. Finally I got Colonel Fitch over and Colonel Proctor, and they, and they made a concession of about three times—two and a half times—the amount they originally offered, and the urgency of the thing was so great that we had to accept the settlement so we could get them back. They would not release us on them, and we had people standing on the doorstep who wanted to get in to live in the apartments. That was last February. That was February a year ago, so we accepted most anything they would give us, but we are not complaining about that particular property.

Senator FERGUSON. Would you say now, to get some hearsay as they call it in law, that your experience has been what other people's experience has been, so as to cover generally all the property?

Mr. DUPREE. I think it is more or less general all over the beach, Senator. I think my experience has not been different. I think you will find the other fellows testifying here—

Senator FERGUSON (interposing). You think a man who is not a real-estate broker and does not know as much about it as you would be treated as you were treated?

Mr. DUPREE. The idea was, I think, that they were driving the bargains and dealing with all these people down here at arm's length. They made the best deal possible without any idea or desire of uniform methods of procedure, and I have an idea that if they made an especially good deal they bragged about it to their superior officers and the thought in my mind was that it is pretty general all over the beach.

Senator FERGUSON. You do not claim that promotions were made by good deals, do you?

Mr. DUPREE. Well, Senator, I don't want to go out on a limb in that respect, but I have my ideas.

Senator FERGUSON. I am asking for hearsay. Do you think that is true? Do you sincerely think that is true?

Mr. DUPREE. One of these men was promoted from captain to colonel in a very short period of time because of his activities.

Senator FERGUSON. You think that was because of his good bargains?

Mr. DUPREE. I have my serious thought that that had a lot to do with it.

Mr. HALLEY. Were any of the properties in Miami Beach condemned in court proceedings?

Mr. DUPREE. No, sir; I don't think but one condemnation suit was filed and that was against the Governor Hotel, yes; and the Sovereign Hotel.

Mr. HALLEY. How were they disposed?

Mr. DUPREE. I think the condemnation proceedings were eliminated and they then made an agreement with the Government.

Mr. HALLEY. Was any pressure brought to bear on hotel owners to avoid condemnation proceedings?

Mr. DUPREE. Well, we got the whole story to the effect that these men were coming in there. They needed accommodations for them. "It is your patriotic duty to do it," they said, and I think the people felt it was their patriotic duty. I don't think they needed so much pressure. I think these people wanted to accommodate them.

Mr. HALLEY. As a real-estate expert, do you know why the Navy was able in Miami Beach to condemn its properties and the Army did not condemn any properties except two? Do you know the reasons?

Mr. DUPREE. The Navy works differently. I think the Navy goes in and files condemnation proceedings. I don't think they try to negotiate.

Senator FERGUSON. Did this citizens' group, formed in Miami Beach, attempt to avoid condemnation proceedings? Was there a feeling that over here you didn't want to have the Government go through court and you didn't want to go through court; that one of the purposes of this organization of civilians was to eliminate that? Is that true?

Mr. DUPREE. I think it was largely the reason that the committee was formed, to help the Army obtain accommodations amicably, without condemnation, and I think they all worked with that idea in view.

Senator FERGUSON. You also, then, would consider there would not be any necessity to have a lawyer if you had no condemnation proceedings?

Mr. DUPREE. That is right. You wouldn't have to have a lawyer or the expense of it.

Senator FERGUSON. Were there any commissions paid, to your knowledge?

Mr. DUPREE. Not to my knowledge.

Senator FERGUSON. It was negotiated without paying commissions for leasing?

Mr. DUPREE. I don't know anyone that made any money on it whatsoever. Not even by hearsay do I know that.

Senator FERGUSON. Do you know of any claim of corruption or graft or anything in connection with these leases?

Mr. DUPREE. No, sir.

Senator FERGUSON. Do you claim any?

Mr. DUPREE. No, sir; I know of none.

Senator FERGUSON. And you know of no claim that was true?

Mr. DUPREE. No, sir; I don't believe there was any.

Senator FERGUSON. And you don't claim there was graft or corruption in getting them back; that people are paying to get them back?

Mr. DUPREE. I don't think there is any question of corruption or graft in the turning back of these properties. I do say that they have driven some very hard bargains and that the people who owned the properties here have suffered and I don't think they got as much for the rehabilitation as they should have gotten. I don't think they got as much as they should have gotten in the negotiation of the leases originally, and I don't think they should keep them for 8 months, using them for the 8 good months of the year, and then turn them back for the 4 unproductive months.

Senator FERGUSON. When would you say would be the appropriate time for the Army to turn them back so as to avoid loss by the owners?

Mr. DUPREE. I think they should turn them back in July and pay up to the 1st of January for a full year.

Senator FERGUSON. In other words, if they leased them between January and May—

Mr. DUPREE. Yes, sir.

Senator FERGUSON. Wouldn't they have a proper right to turn them back in May, at the end of the season?

Mr. DUPREE. If they kept them the first of the year to the end of the season and turned them back and paid for the whole year, that would be the ideal situation.

Senator FERGUSON. If they turned them back in July, that is normally the duldest season in Miami Beach?

Mr. DUPREE. That is the duldest season.

Senator FERGUSON. And the rental could be adjusted as of that time?

Mr. DUPREE. Yes, sir.

Senator FERGUSON. If you had them back for rental, say, until November, you would say that would be fair?

Mr. DUPREE. Yes, sir; I would say very fair.

Senator FERGUSON. The Government has attempted to do that?

Mr. DUPREE. No, sir.

Senator FERGUSON. They have not attempted to do that?

Mr. DUPREE. No, sir.

Senator FERGUSON. Has a committee been formed to negotiate the matter with the Government?

Mr. DUPREE. We tried to form such a committee. We asked that they allow a committee to be formed to work with the Government on the rehabilitation.

Senator FERGUSON. What has been done with that committee?

Mr. DUPREE. Colonel O'Brien told us when he was down here that he would not agree to that.

Senator FERGUSON. Did he give a reason?

Mr. DUPREE. We didn't get many reasons out of the Army, Senator. They would grant certain privileges, and beyond that we couldn't get any excuse or reason.

Senator FERGUSON. But they did cooperate with the committee in leasing?

Mr. DUPREE. They did ask that a committee do the appraisal work for them, but they never told the committee what they paid for the properties. That is, they never told the committee what they paid for the properties they appraised, and they never let the committee know what had happened in any case, and the only way we were able to find out what they offered for the properties we appraised was from the people who leased to the Government their properties.

Senator FERGUSON. Did the owners know what your appraisals were?

Mr. DUPREE. That we have never been able to find out. They did not know from us. We were supposed to keep it very secret.

Senator FERGUSON. You were under secrecy?

Mr. DUPREE. Yes, sir.

Senator FERGUSON. So you don't know whether the owner knew what the appraisal was.

Mr. HALLEY. Were you told that these prices were military secrets? Was that phrase used?

Mr. DUPREE. I don't think so.

Mr. HALLEY. Not to you?

Mr. DUPREE. Not to me.

Senator FERGUSON. But you were working for the Government?

Mr. DUPREE. We were working under the Real Estate Procurement Office, headed by John Frazure and Colonel Fitch.

Senator FERGUSON. When this board of realtors, or this citizens' committee, was formed, were they appraising under secrecy also?

Mr. DUPREE. We were told we were not to divulge that except to the Real Estate Procurement Office of the Army.

The ACTING CHAIRMAN. All right, Mr. DuPree. Thank you very much.

For the benefit of the people from out of town, from St. Petersburg and Daytona Beach, we are going to give them a chance to get their evidence in and get home. I understand they have representatives here. Is Mr. Henry W. Haynes here?

Mr. HAYNES. Yes.

The ACTING CHAIRMAN. Do you swear the evidence you give in the matter now in hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HAYNES. I do.

TESTIMONY OF HENRY W. HAYNES, OWNER, PRINCESS ISSENA HOTEL, DAYTONA BEACH, FLA.

ARMY ACQUISITION OF HOTELS IN DAYTONA BEACH

The ACTING CHAIRMAN. For the benefit of the record, will you state your name?

Mr. HAYNES. My name is Henry W. Haynes. I am the owner of the Princess Issena Hotel in Daytona Beach.

The ACTING CHAIRMAN. You also own or operate the White Face Inn at Lake Placid?

Mr. HAYNES. Yes, sir.

The ACTING CHAIRMAN. In other words, you operate a summer hotel in the north and a winter hotel in the south.

Mr. HAYNES. Yes; and the Issena and the White Face are parts of that arrangement, but not one company. I own the Princess Issena and I am part owner of the White Face Inn, but I operate both.

Mr. HALLEY. But you do operate the Princess Issena at Daytona during the summer season?

Mr. HAYNES. It has never been operated between the 1st of May and the 1st of December.

Mr. HALLEY. Before getting into your own personal situation, will you state whether or not you are the only representative of Daytona Beach who is here?

Mr. HAYNES. I am. I tried to get several of the others, but several of the other larger hotels have not been given back yet, so they haven't had a settlement, and some of the smaller men were staying to take care of business and others were worrying about transportation.

Mr. HALLEY. Can you state generally, before going into your own situation, what the facts are with reference to Daytona Beach? Did the Army take over a large number of hotels?

Mr. HAYNES. Yes. Of course, there are not too many hotels in Daytona Beach. There are two large ones in Daytona, the Clarendon and the Princess Issena. Mine has the greater accommodations.

Mr. HALLEY. The Clarendon is still taken over?

Mr. HAYNES. That is right.

Mr. HALLEY. There are a number of smaller hotels at Daytona Beach?

Mr. HAYNES. Yes, sir.

Mr. HALLEY. Do you know roughly how many?

Mr. HAYNES. About 40.

Mr. HALLEY. That were taken over by the Army?

Mr. HAYNES. Yes, sir. I mean from 20 to 35 rooms.

The ACTING CHAIRMAN. What is the size of the Princess Issena?

Mr. HAYNES. It occupies a city block. There is a main hotel of 135 rooms, 15 cottages, and a small inn of 31 rooms—the total capacity is 225 rooms, with a guest capacity of around 300, although I understand they had as high as 800 at one time in there.

The ACTING CHAIRMAN. What is the size of the Clarendon?

Mr. HAYNES. I should say a guest capacity of 230 or 240.

The ACTING CHAIRMAN. What is the total hotel capacity of Daytona Beach? It would have to be an estimate, I realize that. And I mean as differentiated from apartment houses. I mean hotel capacity only.

Mr. HAYNES. I doubt if there are over 1,000 or 1,200 rooms.

The ACTING CHAIRMAN. I see. What percentage did the Army take over of that number?

Mr. HAYNES. Well, the Army took over, I should say, 75 percent.

The ACTING CHAIRMAN. Seventy-five percent?

Mr. HAYNES. Yes, sir.

The ACTING CHAIRMAN. Was that air force?

Mr. HAYNES. That was WAC.

Mr. HALLEY. With reference to your own hotel, will you state to the committee what your experience was on the renting of the hotel?

Mr. HAYNES. I was at Lake Placid and Major Fitch called me on the telephone and told me that they were trying to start there, and that mine, being the largest capacity, he wanted to deal with me first.

Mr. HALLEY. Were you seeking to rent?

Mr. HAYNES. No, sir; I at no time wanted to rent.

Mr. HALLEY. Had you actively opposed renting?

Mr. HAYNES. Yes, sir; there had been a meeting in the Chamber of Commerce that May when a number of hotel men had been there and I didn't want to rent.

Mr. HALLEY. Many others wanted to rent, however?

Mr. HAYNES. I was practically the only one other.

PRINCESS ISSENA HOTEL, DAYTONA BEACH—ARMY NEGOTIATIONS FOR LEASE

Mr. HALLEY. Go ahead with your statement.

Mr. HAYNES. Major Fitch called me and we discussed the thing for about an hour.

Senator FERGUSON. You mean on the telephone for an hour?

Mr. HAYNES. Yes, sir; yes, sir. So finally I said, "Well, just what is the story?" I said, "What are you going to pay for the property?" He said, "\$33,000 a year." I said, "Major, you can check my income tax. That doesn't take care of my fixed charges without any interest on my money." He said, "Well, that's all we can pay." I said, "How do you arrive at that?" He said, "That's a military secret." So I said, "Well, Major——"

The ACTING CHAIRMAN (interposing). Was that said facetiously?

Senator FERGUSON. Did you believe him when he told you that?

Mr. HAYNES. Yes, naturally.

Mr. HALLEY. Were you able to get the figures from him?

Mr. HAYNES. \$33,000.

Mr. HALLEY. No; I mean the components, the basis for the figure.

Mr. HAYNES. No, no.

Senator FERGUSON. You took it for granted that he was telling you correctly; that it was a military secret?

Mr. HAYNES. That's right; and I told him my fixed charges and my taxes, and he said he knew about those, and he said he would call me again the next day. At both of these conversations nothing was said except on a yearly basis of \$33,000 a year. Well, living in a small city, naturally I knew that if I turned this thing down and Daytona lost getting these WAC's there, the businessmen weren't doing any business.

Senator FERGUSON. And you being the lone man to stop it?

Mr. HAYNES. I knew I might as well not come back to Daytona Beach.

Mr. HALLEY. Were you told if you did not rent that the Government would not go into Daytona Beach?

Mr. HAYNES. No; but he said mine was the largest property there, and that had a good deal to do with it.

Senator FERGUSON. Was business bad then in Daytona Beach?

Mr. HAYNES. I wasn't there, sir.

Senator FERGUSON. What did you hear?

Mr. HAYNES. Business was bad among the merchants.

Senator FERGUSON. There was no business?

The ACTING CHAIRMAN. Was there a lot of pressure among the merchants to get the hotels rented?

Mr. HAYNES. I think there is no question. I think they sent a delegation to Washington to get some form of the military there.

The ACTING CHAIRMAN. Was that participated in actively by the hotel owners?

Mr. HAYNES. That I don't know. I had been away since the 1st of May of that year.

The ACTING CHAIRMAN. You said fixed charges on this \$33,000. What items do you include as fixed charges?

Mr. HAYNES. Taxes, insurance, depreciation, and maintenance—normal maintenance.

The ACTING CHAIRMAN. It had nothing to do with guest occupancy?

Mr. HAYNES. Oh, no, no.

The ACTING CHAIRMAN. Simply what it would cost you to maintain that hotel in its condition if there were no guests there?

Mr. HAYNES. That's right; and that's without interest on the money, because there isn't any mortgage on the property. I did understand at Daytona that people who had mortgages on their property received more consideration than we who didn't; but, at any rate, he called back the next day and, as I said, I knew there was no use for me to go back to Daytona unless I accepted.

Senator FERGUSON. You don't claim that was Major Fitch's fault?

Mr. HAYNES. What, sir?

Senator FERGUSON. It was not on account of him that you couldn't go back, but it would be because of the merchants?

Mr. HAYNES. Oh, no, no; public opinion. They thought it was a good thing. It was a matter of difference of opinion.

The ACTING CHAIRMAN. Did you give him the items of your fixed charges when you talked to him on the telephone?

Mr. HAYNES. Yes, sir. He said he knew those. My taxes run anywhere from \$14,000 to \$17,000 a year. My depreciation is anywhere from \$20,000 to \$25,000 a year. I have spent on maintenance over the past 10 years an average of \$8,000 a year. Insurance will run anywhere from—3-year policies—\$1,200 to \$3,000 a year; about \$45,000,000.

Senator FERGUSON. What did he say about that?

The ACTING CHAIRMAN. When you say "depreciation," you mean normal depreciation with care?

Mr. HAYNES. I mean depreciation allowable on your income tax.

Mr. HALLEY. You can take the \$8,000 for maintenance out if the Army were going to occupy and maintain the property?

Mr. HAYNES. In their lease they didn't maintain the exterior. Roofs and exterior would have to be maintained by the owner.

Mr. HALLEY. What would you consider the annual cost of maintaining the exterior?

Mr. HAYNES. That is a pretty hard thing to say, because I have taken care of my maintenance as a whole. Say anyway not less than \$2,500 a year.

Mr. HALLEY. Is the figure you have given with respect to depreciation a figure that has been allowed in the past years by the income-tax authorities?

Mr. HAYNES. For many years. They revised it 4 or 5 years ago and cut it down, so I know it's about—

Senator FERGUSON (interposing). What was your percentage of depreciation used in the income tax?

Mr. HAYNES. One of the buildings, 2½ percent; furniture and fixtures, 10 percent; machinery and laundry, 10 percent.

Senator FERGUSON. Was the Government going to take your machinery and laundry?

Mr. HAYNES. They did, sir.

Senator FERGUSON. And the furniture?

Mr. HAYNES. They didn't take all the furniture; they specified what they wanted.

Senator FERGUSON. And you knew it was to be occupied by WAC's?

Mr. HAYNES. Yes, sir.

Senator FERGUSON. Have you got the property back yet?

Mr. HAYNES. Yes, sir.

Senator FERGUSON. What condition did you get it back in?

Mr. HAYNES. Naturally, with anywhere from four to eight hundred women it showed a great deal of wear and tear.

Senator FERGUSON. Any more than if they had been civilians?

Mr. HAYNES. Oh, yes, by far; certainly, certainly.

Senator FERGUSON. What allowance did the Government give you?

Mr. HAYNES. The Government gave me an allowance which I think will pay about two-thirds of what it is going to cost me to put it back in shape.

Senator FERGUSON. When did you discover it was two-thirds?

Mr. HAYNES. When I accepted it.

Senator FERGUSON. Why did you accept it?

Mr. HAYNES. Because I was told at the time I accepted it that an amount of more—in other words, I asked them about \$13,500. They told me that any amount over \$10,000 would have to go before Congress to be settled.

Senator FERGUSON. Who told you that?

Mr. HAYNES. I think Mr. Spooner was in the room.

The ACTING CHAIRMAN. What representative of the Army told you that?

Mr. HAYNES. Three men. There was a Major Hancock, a Mr. Busby, who has since died, and a Mr. Spooner, who is in the room now.

The ACTING CHAIRMAN. Is Mr. Spooner in uniform?

Mr. HAYNES. No, sir.

Senator FERGUSON. He was working for the Army?

Mr. HAYNES. Yes, sir.

Senator FERGUSON. They all told you if they gave you more than \$10,000—

Mr. HAYNES (interposing). I can't say which one, but the three of them were in the room when it was told to me.

The ACTING CHAIRMAN. That they'd have to get a bill through Congress to pay more than \$10,000?

Mr. HAYNES. Yes, sir.

The ACTING CHAIRMAN. Go ahead.

Mr. HAYNES. My complaint isn't on that. Rather than to hire lawyers and all that—

Senator FERGUSON (interposing). It wasn't the matter that you had to go to Congress that made you settle?

Mr. HAYNES. Certainly it was. I needed the money, sir. I had to put the place in shape. That part I am not kicking about. My complaint is that they based a year's rent on a year's cost and they used my property only part of the year, the part of the year that I could use it to get those costs, and they are actually paying me in dollars for 6 months in 1943 and 1 month in 1942. The 6 months in 1943 would be \$16,500. My taxes and insurance will be more than that without a cent of depreciation or interest on my money.

The ACTING CHAIRMAN. When did they take it over in 1942?

Mr. HAYNES. They took it over the 1st of December 1942.

The ACTING CHAIRMAN. I have an operating statement for the year 1942 which shows a gross income from the hotel of \$84,619.21 and an operating expense of \$58,618.18. That is for that period of time, for the time they took it over?

Mr. HAYNES. That is for the period up to the time they took it over.

The ACTING CHAIRMAN. Which was just the beginning of your season.

Mr. HAYNES. This is a copy of the figures we furnished for income tax. The hotel showed a net profit in 1942 of \$5,188, after \$21,253 depreciation had been taken. That is what I paid income tax on.

The ACTING CHAIRMAN. You had a gross profit of over \$26,000 and taking out depreciation left you a net profit of some \$5,0000.

Mr. HAYNES. Which is the poorest year in the 29 years I have run the place.

The ACTING CHAIRMAN. I note from another statement that in 1941 you had receipts of \$132,020.87 as against operating expense of \$86,876.72. That was for the 12-month period, the calendar year; was it?

Mr. HAYNES. That's right.

The ACTING CHAIRMAN. That showed a profit there of—

Mr. HAYNES. \$19,320, plus depreciation, or a total profit of \$44,600.

The ACTING CHAIRMAN. And in 1940, \$172,147.03 as against \$105,-128.10 expenses, or \$65,000 profit, not including depreciation.

Mr. HAYNES. What is that, sir?

The ACTING CHAIRMAN. 1940.

Mr. HAYNES. Oh, yes, 1940. In '39 there was a net profit of \$57,000, not including depreciation, or \$81,000 including it.

The ACTING CHAIRMAN. Look this statement over and see if it is correct.

Mr. HAYNES. I have a copy of it here.

Senator FERGUSON. May we file these as part of your testimony?

(The financial statement referred to was marked "Exhibit No. 923" and is included in the appendix on p. 8949.)

Senator FERGUSON. What was your business before you went into the hotel business?

Mr. HAYNES. I have been in this business since I was a boy, sir.

Senator FERGUSON. You did not seek legal advice in connection with the cancelation of the lease?

Mr. HAYNES. As a matter of fact I didn't get the lease for some weeks.

Senator FERGUSON. I mean for the cancelation.

Mr. HAYNES. No.

Senator FERGUSON. Did you consult a lawyer?

Mr. HAYNES. No, sir.

Senator FERGUSON. Did you consult a realtor?

Mr. HAYNES. I didn't consult anybody until I got the lease which was 4, 5, or 6 weeks after the Government went into the property and I saw the lease was to June 30 and I spoke to another hotel friend of mine and he said, "That's the way all leases are made. That's their fiscal year."

Senator FERGUSON. That was not a Government man but a hotel man?

Mr. HAYNES. That's right.

The ACTING CHAIRMAN. So the conversation over the telephone and the terms of the lease did not coincide?

Mr. HAYNES. At no time was a monthly rental discussed. It was a yearly rental at all times. Naturally, with these charges, sir, I would have gone down to Daytona and left Lake Placid and gone to the chamber of commerce, had they told me they wanted it for 6 months for \$16,000, which did not equal my costs; wouldn't you?

Senator FERGUSON. That sounds reasonable. You then got a year's lease subject to cancelation, or did you get a shorter period?

Mr. HAYNES. My lease read June 30, 1943.

Senator FERGUSON. Then it was not a year's lease?

Mr. HAYNES. As I understand, every one of these leases was the same.

The ACTING CHAIRMAN. The point is that you interpreted the conversation to mean a 12 months' period and you actually got a 6 months' lease?

Mr. HAYNES. Naturally, had I seen the lease before the property was taken over I would have questioned it.

Senator FERGUSON. When did you get it back?

Mr. HAYNES. The lease?

Senator FERGUSON. The property.

Mr. HAYNES. I got the property back June 30.

Senator FERGUSON. On the day of the expiration of the lease?

Mr. HAYNES. They used it actually 6 months of 1943.

Senator FERGUSON. Have all the properties up there been turned back?

Mr. HAYNES. No, sir.

Senator FERGUSON. Did you request yours back?

Mr. HAYNES. No, sir.

Senator FERGUSON. Has there been, in your opinion, any favoritism in turning them back?

Mr. HAYNES. As a matter of fact, I have been home sick a good part of the time since I have been back in Daytona, but I have never heard anything.

Senator FERGUSON. You did nothing to get it back? It was merely a voluntary cancelation on their part.

The ACTING CHAIRMAN. They ran out of WAC's?

Mr. HAYNES. No, sir; they built a cantonment in Daytona Highlands.

The ACTING CHAIRMAN. It was larger?

Mr. HAYNES. There was a recreation building started across the street from my hotel; the Geneva and other hotels—oh, 4 weeks before

we were notified that it was to be given up. I understand it cost forty or fifty thousand dollars.

Senator FERGUSON. Just before they gave it up they started a recreation hall that cost forty or fifty thousand dollars?

Mr. HAYNES. Yes, sir.

The ACTING CHAIRMAN. How far did it go toward completion?

Mr. HAYNES. They completed it and used it. It is locked up now.

Senator FERGUSON. They have abandoned your place and spent a couple of million dollars—

Mr. HAYNES (interposing). That's the report; \$3,000,000.

Senator FERGUSON. How many rooms out there?

Mr. HAYNES. I haven't been out there.

Senator FERGUSON. And is it the intention of the Government to move all the WAC's out there?

Mr. HAYNES. The 15th of January—everyone out of the area.

Senator FERGUSON. But the recreation hall was completed when?

Mr. HAYNES. Two weeks after they moved out of my hotel; the 30th of June.

The ACTING CHAIRMAN. It is a frame structure?

Mr. HAYNES. No, sir; concrete blocks.

Senator FERGUSON. When did they start this place out of Daytona.

Mr. HAYNES. That I don't know. I spent the winter up north last winter and I wasn't in Daytona.

Senator FERGUSON. Do you know when they started the recreation hall?

Mr. HAYNES. I understood they started along the first part of May.

Senator FERGUSON. And canceled your lease June 30?

Mr. HAYNES. Yes, sir.

The ACTING CHAIRMAN. They just didn't renew your lease?

Mr. HAYNES. That's right. They wrote me about May 1 that they were not going to renew.

Senator FERGUSON. Is your case typical? Is it about the same with the others up there?

Mr. HAYNES. That I don't know very much about. I haven't been out and around very much. I know it is the same as the neighbor across the street. That is the Geneva; they used his hotel for even a shorter period than mine, and his is a hotel that's only open in January, February, and March.

Senator FERGUSON. How many rooms?

Mr. HAYNES. I should say 60 or maybe 65.

The ACTING CHAIRMAN. Mr. Haynes, in Colonel Fitch's conversation with you, did he at any time indicate to you or say anything that indicated that this lease was for any period less than a year?

Mr. HAYNES. No. The only discussion was \$33,000 a year.

The ACTING CHAIRMAN. They didn't say on the basis of \$33,000 a year?

Mr. HAYNES. No, sir.

The ACTING CHAIRMAN. And you naturally inferred it was an annual figure. Did you protest when you received a lease for only 6 months?

Mr. HAYNES. Oh, no; because I was told that is the way the Government does business.

The ACTING CHAIRMAN. Who told you that?

Mr. HAYNES. As a matter of fact, a friend of mine who runs the Clarendon told me that. He had been a banker in Washington and he says all the Government business is done that way.

The ACTING CHAIRMAN. He was telling you the truth. That is the customary way to draft a lease—on a fiscal basis. Did you know that when you agreed over the phone?

Mr. HAYNES. I did not, sir.

The ACTING CHAIRMAN. Was that explained to you?

Mr. HAYNES. No, sir. I would have gotten on the train and gone to Daytona and tried to get myself straight before the local people, because naturally I wouldn't lease a property for less than my actual taxes and insurance.

Senator FERGUSON. As I understand it, 75 percent of the hotel rooms were taken over by the Government. How many were returned by June 30?

Mr. HAYNES. Oh, I don't know. I was away. I was in Lake Placid.

Senator FERGUSON. Have you any knowledge on that?

Mr. HAYNES. No, sir; the only large hotel that has not been returned is the Clarendon and I think that is being returned within a month or so.

Senator FERGUSON. Within this month?

Mr. HAYNES. Yes, sir.

Senator FERGUSON. And when the Clarendon is returned does that mean that practically all the rooms will have been turned back?

Mr. HAYNES. Yes, sir.

The ACTING CHAIRMAN. Did you maintain a caretaker or anything there while the Army occupied it?

Mr. HAYNES. No, sir.

The ACTING CHAIRMAN. You had a caretaker at the time they took over?

Mr. HAYNES. Yes, sir.

The ACTING CHAIRMAN. Did they take him over?

Mr. HAYNES. No; but they used him as a plumber and engineer.

PRINCESS ISSENA HOTEL—RELEASE BY ARMY

Senator FERGUSON. How much in damages did they pay you?

Mr. HAYNES. \$9,950.

Senator FERGUSON. Not the \$10,000?

Mr. HAYNES. No, sir.

Senator FERGUSON. They said they could pay up to \$10,000 without an act of Congress?

Mr. HAYNES. That's right.

The ACTING CHAIRMAN. Mr. Haynes, was that figure of \$13,000, or whatever it was, based upon actual, necessary repairs to put the hotel in the condition it was in when they took it over, ordinary wear and tear excepted?

Mr. HAYNES. That's right.

The ACTING CHAIRMAN. You weren't doing anything additional?

Mr. HAYNES. Oh, no, no.

The ACTING CHAIRMAN. And that didn't take into consideration losses on this 6-month contract?

Mr. HAYNES. No, sir.

The ACTING CHAIRMAN. It was just for painting and fixing furniture and repairing carpets?

Mr. HAYNES. And it is going to cost more than my original figure, because we are paying more for painters than we thought we would have to. I am not claiming that. My claim is that they took my hotel for the only part of the year that I can use it and they based my rent—

The ACTING CHAIRMAN (interposing). In other words, they took it for an income year and only paid half an income year?

Mr. HAYNES. That's right.

Senator FERGUSON. Have rents been fixed by the O. P. A. in Daytona Beach?

Mr. HAYNES. No, sir.

Senator FERGUSON. No rent fixing at all?

Mr. HAYNES. No, sir. As a matter of fact, business is very poor in Daytona Beach and that takes care of fixing the rents. We haven't raised our rents a cent.

Senator FERGUSON. Is the tourist business poor?

Mr. HAYNES. Very poor.

Senator FERGUSON. What do you estimate your income this season?

Mr. HAYNES. That is very hard to say. I doubt very much if it will be as much as the last season I was open.

Senator FERGUSON. Will it be as much as the Government paid you?

Mr. HAYNES. Oh, yes, yes.

Senator FERGUSON. It will be that much?

Mr. HAYNES. Oh, yes, yes.

Mr. HALLEY. Mr. Haynes, when you signed your lease, you understood it contained a clause giving the Government the right to cancel on 30 days' notice, did you not?

Mr. HAYNES. I did when I signed it; yes.

Mr. HALLEY. Did you understand that when you agreed to rent the property?

Mr. HAYNES. No, sir.

Mr. HALLEY. Was that not mentioned at all?

Mr. HAYNES. No.

Mr. HALLEY. Between the time you rented the property and the time you signed the lease did the Government occupy the premises? Did they take possession?

Mr. HAYNES. They moved in December 1, I didn't get the lease until several weeks afterward.

Mr. HALLEY. And at the time you got the lease you found this 30-day cancellation clause?

Mr. HAYNES. Yes, sir.

Mr. HALLEY. Had you known anything of it before?

Mr. HAYNES. No, sir.

Mr. HALLEY. Did you protest it?

Mr. HAYNES. No, no; I did not. Again, a good deal like the June 30 business, it wouldn't have done any good to protest it. They were in the property. I should have insisted on a lease on the day I turned the property over. That is where I was dumb, but it was an emergency and I was doing business with the Government.

Mr. HALLEY. Did the Army give you a condition report after they took possession?

Mr. HAYNES. Yes, sir.

Mr. HALLEY. Did you sign it?

Mr. HAYNES. No, sir.

Mr. HALLEY. Will you tell the committee what happened in connection with that condition report.

Mr. HAYNES. Well, of course, they certainly had someone who could find every flaw that might or might not be there. You know a hotel with the curtains down and things will show up very plainly, but I even discussed that with some of the men there and I told them; I said:

Here, we will take this room and look at this one room here. This room brought us \$12 a day last year. The Government is paying us less than 40 cents a day for it. Do you think if I would write to a prospective customer and describe the room as you described it in your report, and told him the rate was \$12 a day that he would take it?

Senator FERGUSON. But you would have rented that without repairs or decorations for \$12 a day?

Mr. HAYNES. Yes, sir; that is, with meals.

The ACTING CHAIRMAN. That is as it was when you turned it over?

Mr. HAYNES. Yes, sir.

The ACTING CHAIRMAN. When was the condition report made up with reference to the time of occupancy?

Mr. HAYNES. It was some weeks after they took over. You see, I came down and got the carpets out and left here in November and went back to Lake Placid.

The ACTING CHAIRMAN. Did you leave your furniture there?

Mr. HAYNES. The part they told me to leave.

The ACTING CHAIRMAN. What was that?

Mr. HAYNES. Beds, bureaus, mattresses, one pillow to each bed, certain chairs that weren't upholstered, no rugs or carpets.

The ACTING CHAIRMAN. Was there damage to your furniture?

Mr. HAYNES. Not too much; no.

Senator FERGUSON. What was the real dispute between you and the Government when they turned it back on this difference between \$13,000 and \$9,000?

Mr. HAYNES. They claimed that the figure was far more than it would take to put the hotel back in shape.

Senator FERGUSON. It was not the question of what was the damage under the clause "reasonable wear and tear acceptable"?

Mr. HAYNES. The officer there said that a lot of things I said, such as sanding the floor, for instance, they mopped the lobbies and that took the paint off, and, for instance, we put on a new oak floor and a big lobby there and the mopping raised the grain of that and it meant sanding and refinishing, and he said, "That's ordinary wear." I said that might be barracks' wear and tear, but not ordinary wear and tear; because we don't put four to eight hundred people in the place, and they wouldn't scuff up and tear up the floor like they were torn up.

Mr. HALLEY. Did the Government rely on the barracks, wear-and-tear clause?

Mr. HAYNES. He maintained that a lot of these things I said needed to be done was regular wear and tear.

Mr. HALLEY. In calculating your \$13,000 figure for damages, did you make allowance for expenses which you would ordinarily have

incurred if you were operating the property, because you have an \$8,000 maintenance figure of your own?

Mr. HAYNES. That's right. You see, we have had to paint every room in the hotel. There hasn't been a single room that hasn't been painted. Normally, we try to get around every 4 years. We haven't sanded the floors, because we haven't been able to get sanders.

Senator FERGUSON. What is your percentage of occupancy now?

Mr. HAYNES. We have only 25 people. We don't have the big house open. We just have the small place open.

The ACTING CHAIRMAN. You are operating the inn?

Mr. HAYNES. We open the big hotel the 15th. The fact that we haven't business now is largely due to the fact that the town was closed down last year. Our golf links were closed and people went other places. I can show you letters from maybe 8 or 10 people saying they will be back next year, but this year they don't want to come back while the WAC's are there, even though you tell them they are going out the middle of January.

Senator FERGUSON. Is there anything else you want to add to the record?

Mr. HAYNES. No, sir.

The ACTING CHAIRMAN. Thank you very much, Mr. Haynes.

We have some people here from St. Petersburg. Mr. Neil Upham, vice president of the Hotel Owners Association.

Do you solemnly swear that the evidence you give in the matter now in hearing shall be the truth, the whole truth and nothing but the truth, so help you God?

Mr. UPHAM. I do.

TESTIMONY OF NEIL W. UPHAM, VICE PRESIDENT, ST. PETERSBURG HOTELMEN'S ASSOCIATION

ARMY ACQUISITION OF HOTELS IN ST. PETERSBURG

The ACTING CHAIRMAN. Will you state your name and official connection?

Mr. UPHAM. Neil W. Upham, vice president, St. Petersburg Hotelmen's Association, and I am engaged in the real-estate business in St. Petersburg, as well as being part owner of the Royal Palm Hotel. Mr. Goheen from St. Petersburg represents the Beverly Hotel, and part of our testimony—

The ACTING CHAIRMAN. We will swear him, too. Mr. Goheen, do you solemnly swear that the evidence you give in the matter now in hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GOHEEN. I do.

The ACTING CHAIRMAN. I believe, Mr. Goheen, you are connected with the Beverly Hotel?

Mr. GOHEEN. That's right.

The ACTING CHAIRMAN. What is your official position with the hotel?

Mr. GOHEEN. I am one of the coowners.

The ACTING CHAIRMAN. What is the size of that hotel?

Mr. GOHEEN. Seventy-five rooms.

The ACTING CHAIRMAN. Seventy-five rooms?

Mr. GOHEEN. Yes, sir.

The ACTING CHAIRMAN. You may go ahead with your statement, Mr. Upham, and Mr. Goheen can interject.

Senator FERGUSON. Are they all leases in St. Petersburg and no purchases?

Mr. UPHAM. There was one purchase, the Don Ce-Sar Hotel.

The ACTING CHAIRMAN. What was that construction?

Mr. UPHAM. Triple A; fireproof, steel construction hotel.

Senator FERGUSON. Why was there a purchase there and not a lease?

Mr. UPHAM. It was desired for a hospital. The Navy was about to take it over when the Air Forces came and took it.

Senator FERGUSON. That is to remain as a permanent hospital; a veterans' hospital?

Mr. UPHAM. As far as we know. It is about 6 miles from the Bay Pines Veterans' Facility. It is on the beach. The Bay Pines Hospital is not in St. Petersburg; it is just outside.

The ACTING CHAIRMAN. I know where that is.

Mr. UPHAM. It is just down the beach from Bay Pines.

The ACTING CHAIRMAN. How big is the Don Ce-Sar?

Mr. UPHAM. 325 rooms; 275 rooms were finished at the time the Army took it over.

The ACTING CHAIRMAN. Is it a new hotel?

Mr. UPHAM. It was built in '27 and opened in '28, but it never was completely finished—50 rooms being unfinished.

Senator FERGUSON. That is the one the Government purchased?

Mr. UPHAM. The Government purchased that; yes, sir.

Senator FERGUSON. You don't want to talk about that one today. You are not concerned with it?

Mr. UPHAM. They are not members of our association over there because they are not in the hotel business at all. We don't represent the former owners of that property.

We have the question of rents in St. Petersburg. I was very interested in General Arnold's statement.

Senator FERGUSON. Has the O. P. A. fixed rents in St. Petersburg?

Mr. UPHAM. Yes, on the basis of March 1, 1942.

Senator FERGUSON. When did they fix them?

Mr. UPHAM. In September of 1942.

Senator FERGUSON. In September of 1942?

Mr. UPHAM. Yes, sir. That covers the entire Tampa and St. Petersburg area.

Senator FERGUSON. When did they start to take these leases of St. Petersburg property?

Mr. UPHAM. We optioned our hotels to Major Fitch in March—no, that was June. He made a survey in March.

Senator FERGUSON. And you gave him options?

Mr. UPHAM. We gave him options in June and the leases were executed in every case after the property was occupied by the Army—in every case.

Senator FERGUSON. Who occupies the properties?

Mr. UPHAM. Air forces.

Senator FERGUSON. How many rooms?

Mr. UPHAM. The number of room, referring to the Byrd report, was 6,236 out of a possible 6,800.¹ We were about 90 percent occupied by the Army.

The ACTING CHAIRMAN. You are speaking only of hotel rooms?

Mr. UPHAM. Yes, sir. There were some apartments in the Army base, but there were less than 700 rooms. I would say less than 700 rooms were left out of the base.

Senator FERGUSON. And when did they start to cancel?

Mr. UPHAM. They started the cancelation in June of 1943.

Senator FERGUSON. How many have they canceled?

Mr. UPHAM. All of them.

Senator FERGUSON. All have been canceled out?

Mr. UPHAM. There have been four hotels transferred to the War Shipping Administration with the understanding that the War Shipping Administration was to accept the Army leases. The War Shipping Administration now is declining to accept the Army leases and wants revision of their contracts.

Senator FERGUSON. Why?

Mr. UPHAM. I am not familiar with those details.

Senator FERGUSON. Do they claim the rents are too high?

Mr. UPHAM. In the case of the Vinoy Park Hotel in which I have a small interest, the Army gave the management the use of 42 storerooms. I understand the War Shipping Administration is claiming they have the entire building and they want the Vinoy Park Hotel to move its storage goods out of the storerooms at considerable expense.

Senator FERGUSON. What does the War Shipping Administration use these hotels for?

Mr. UPHAM. For barracks and training of students in connection with the maritime base at St. Petersburg.

Senator FERGUSON. How many rooms are under the War Shipping Administration?

Mr. UPHAM. About 800, sir.

Senator FERGUSON. What is the chief complaint; first on the taking over, and second on the return?

Mr. UPHAM. On the leasing, the St. Petersburg Hotelmen's Association has forwarded a resolution to the War Department and to the Truman committee. This resolution was passed in October and it goes into detail with respect to the leasing.

(The document referred to was marked "Exhibit No. 924" and is included in the appendix on p. 8951.)

Senator FERGUSON. Prior to the leasing did you go to Washington to try to get some Army or Navy activity, or both, in St. Petersburg?

Mr. UPHAM. I think representatives of St. Petersburg hotels came to Miami Beach and talked with Captain Fitch, who was a captain at that time.

Senator FERGUSON. You tried to get the business?

Mr. UPHAM. One hotel, the Soreno in particular, did.

Senator FERGUSON. Did the association do it?

Mr. UPHAM. The association, as an association, did not do it. The chamber of commerce was interested in getting an Army base there in St. Petersburg.

¹ In this connection see Exhibit No. 925, appendix, p. 8953.

Senator FERGUSON. Did the chamber of commerce try to get the business?

Mr. UPHAM. I don't think the chamber of commerce ever went to Washington until the notice of cancelation was received and the chamber tried to get continuation of the leases or other use by the Government. We felt the hotels had been occupied and any damage had accrued, and if the Government would keep on it would be better.

Senator FERGUSON. They canceled as of June—the fiscal year, so-called?

Mr. UPHAM. The cancelations ran—well, nine notices were sent out in June and ran some on the 31st of July, some on the 8th of August, and some later on in August. It was during that summer period.

Senator FERGUSON. What is your date over there for occupancy for the tourist business?

Mr. UPHAM. November 1.

Senator FERGUSON. That is much earlier than here?

Mr. UPHAM. We have a very much earlier and very much later season.

Senator FERGUSON. Rather than read that [referring to document], because we are familiar with that, we would like anything you may have to add to your testimony here.

Mr. UPHAM. One of the things I started to comment on is the report that General Arnold has made that the average cost per man in Miami Beach area was \$119 per year. Based on the Byrd committee figures, the average per man cost in St. Petersburg was \$58 per year. The story on our leasing was similar to that which you have heard from Mr. DuPree and Mr. Haynes. We were not given an opportunity—

(The document referred to was marked "Exhibit No. 925" and is included in the appendix on p. 8953.)

Senator FERGUSON (interposing). Normally what is the difference in rent between St. Petersburg and Miami Beach?

Mr. UPHAM. That is something I can't say, sir.

Senator FERGUSON. You don't know what that is?

Mr. UPHAM. No, sir. The picture varies so greatly, even in Miami Beach. Some hotels get very high rates and some of them are moderate.

The ACTING CHAIRMAN. Mr. Upham, wasn't there a condition existing in St. Petersburg that the chamber of commerce, the business people, were very anxious to get these hotels taken over by the Army in order to facilitate the operation of an Army base there? In other words, wasn't there a little high pressuring going on on the hotel men from local groups in this campaign?

Mr. UPHAM. There was some high pressure; yes. We all wanted to be patriotic.

The ACTING CHAIRMAN. When did this happen?

Mr. UPHAM. That occurred in June of 1942.

The ACTING CHAIRMAN. 1942?

Mr. UPHAM. And I might, in a way, plead guilty in that once I understood the Army was coming in, as a hotel man, and interested in the town, I helped Major Fitch make leases and make negotiations. I was instrumental, for instance, in leasing the Mount Vernon Hotel. The owners have a summer resort in Minnesota, and I talked to them several times on the long-distance telephone and told them what representations Colonel Fitch made to me about the property and

what rent the Army would pay, and how it would be returned, and on the basis of that conversation they took over.

Senator FERGUSON. What did Fitch tell you?

Mr. UPHAM. He told us he couldn't pay but a certain amount of rent.

The ACTING CHAIRMAN. What was that based on? Did he give you the basis for those figures?

Mr. UPHAM. We don't know, but we believe it was based on the county valuations.

Senator FERGUSON. Why do you say that you believe that?

Mr. UPHAM. Any further questioning was always answered that the matter was a military secret.

Senator FERGUSON. How could a thing like that be a military secret as to what the rate would be? Were they about to launch an attack on St. Petersburg? How do you think that would help the enemy?

Mr. UPHAM. Senator, when a man in uniform, particularly an officer's uniform of the United States Army, tells you something and tells you it is to be confidential, and tells you that you can't reveal it because of confidence, we respect the uniform and don't question it further.

The ACTING CHAIRMAN. Isn't too much abuse of that apt to lead to a growing disrespect for the uniform in business dealings?

Mr. UPHAM. If it were abused it could; yes.

The ACTING CHAIRMAN. And you were not told any basis on which these rentals were being computed?

Mr. UPHAM. We were not.

The ACTING CHAIRMAN. Did you offer to furnish a basis for computation of rentals?

Mr. UPHAM. We did, and if you were to take the rentals paid for the St. Petersburg hotels you will find no uniformity whatsoever.

Senator FERGUSON. How do you account for that?

Mr. UPHAM. Well, bargaining power. I mean some of the people just laid down and rolled over when Fitch said so and others stood up on their hind legs and said they couldn't get by with that.

The ACTING CHAIRMAN. Some of them had more sales resistance?

Senator FERGUSON. Were any condemnation cases started?

Mr. UPHAM. No, sir.

Senator FERGUSON. Was any citizens' association formed to keep them from being started?

Mr. UPHAM. No, sir; some informal pressure.

Senator FERGUSON. Was there any publicity on the question that the Army may not come and the people ought to go ahead and lease?

Mr. UPHAM. The St. Petersburg Times came out with a banner headline stating that the Army was definitely coming in; that was before the arrangements were made, and the War Department, we understood, took great exception to that and it was rumored in St. Petersburg that because the St. Petersburg paper jumped the gun that the Army would not come in.

Senator FERGUSON. Did anybody in the Army tell you that they resented that and that was going to increase their rentals and they weren't coming in? Where do you get your information?

Mr. UPHAM. No; I didn't infer that that was used by the Army at all to beat down rents. That was not the case, but that was part of the civilian feeling about getting the Army base in there.

ROYAL PALM HOTEL, ST. PETERSBURG—ACQUISITION AND RELEASE BY ARMY

Senator FERGUSON. The civilians got that slant on it?

Mr. UPHAM. They felt perhaps as hotel owners we weren't being reasonable enough in turning over our properties. For instance, in my own case, I leased the Royal Palm Hotel and Fitch didn't want to pay but \$11,500.

(The document referred to was marked "Exhibit No. 926" and is included in the appendix on p. 8954.)

The ACTING CHAIRMAN. That was a year?

Mr. UPHAM. A year, and our carrying charges, not including war damage insurance was \$11,446.

Mr. HALLEY. What do you figure in your carrying charges?

Mr. UPHAM. Interest on the mortgage, taxes, insurance, \$600 for exterior maintenance and nothing for depreciation, because we were told repeatedly by Colonel Fitch that our properties would be returned in as good condition, if not better, than when we turned them over to the Army. He allowed us to figure for exterior depreciation.

The ACTING CHAIRMAN. Did he tell you that personally?

Mr. UPHAM. Yes, sir, and Mr. Goheen.

Mr. GOHEEN. Yes, sir.

Mr. HALLEY. Did he tell you not to make any allowance to the interior wear and tear?

Mr. UPHAM. Absolutely.

Mr. HALLEY. And did he make any statement as to the number of men to occupy the building?

Mr. UPHAM. The owners of the Seneca Hotel and the Butler Arms Hotel were in the north and they called down to me and asked me to see what negotiations could be made on their particular properties. They figured that what Fitch offered them was not fair, so I personally took Fitch to those hotels. He went in 1 room, paced it off, and said, "We can get 2 men in this room. The Surgeon General says we must have 60 square feet per man in a room." I know he did that in 2 hotels. One of the other representatives went with Mr. Goheen to his hotel. I know in those rooms where Fitch said they could put 2 men they put 6 men and sometimes 8 men, so there was nothing normal about the wear and tear those hotels received. When you got down to settlements, what happened was that Colonel Fitch came to my hotel first, the latter part of June. He called me at 8:30 in the morning. I met him at 9 o'clock. There were 11 in his party and I was by myself. We later changed procedure, but we had to go, the 12 of us, in 1 room and I was to see what Army damage had transpired in that room. I said I couldn't do it that way. I couldn't even think with that crowd around me and we changed procedure.

(The document referred to was marked "Exhibit No. 927" and is included in the appendix on p. 8959.)

Senator FERGUSON. Who were these 12 men?

Mr. UPHAM. All from his staff.

Senator FERGUSON. You were the thirteenth man?

Mr. UPHAM. I was the twelfth.

Senator FERGUSON. Why did he want so many with you?

Mr. UPHAM. He had them with him. I didn't have anybody.

Mr. HALLEY. Did you ask permission to bring anyone?

Mr. UPHAM. This was the first hotel inspected. There was no set procedure. The procedure later Colonel Fitch did modify because it was unwieldy and didn't work. We made a survey of that hotel during the day, the Army making its notes. The following morning I was called to Colonel Fitch's office and after 2 hours he asked me what figure I had in mind for army damage, and I told him I had no figure; that I hadn't had a chance to get a furniture man, or a mattress man, or a painter, or carpenter, or plumber, in that hotel. He said I should be happy with the figure he had in mind. The post engineer had made a very thorough survey and it took me 2 hours to find out why I should be very happy with \$810 for a 94-room hotel. He told me the post engineer before he came there had figured \$179 was all the Government owed the Royal Palm. What he based that on, I don't know. I never understood what the \$810 was based on. That was also a military secret.

(The document referred to was marked "Exhibit No. 928" and is included in the appendix on p. 8961.)

Senator FERGUSON. Did he tell you that?

Mr. UPHAM. Yes, sir.

The ACTING CHAIRMAN. Did they use your beds?

Mr. UPHAM. They used 68 of them, sir.

The ACTING CHAIRMAN. Wooden or steel beds?

Mr. UPHAM. We had 54 wooden beds and the others were steel beds.

The ACTING CHAIRMAN. What if any damage was done to the beds?

Mr. UPHAM. The mattresses that the boys cut in order to hide their liquor were recovered by the Army; the mattresses that had urine stains were left. Twenty of the 68 had urine stains. There were 28 with broken innersprings; there were two hair mattresses that were not our property and heaven knows where they came from.

Senator FERGUSON. Did you rehabilitate?

Mr. UPHAM. Yes, sir.

Senator FERGUSON. What did it cost you?

Mr. UPHAM. As far as I can figure I have spent this fall \$20,000. Part of that is taxes that I should have the money from rents to do with.

Senator FERGUSON. How about repairs?

Mr. UPHAM. I have spent \$9,100—the figure goes up every day. To figure repairs I figure strictly Army damage.

Senator FERGUSON. How nearly completed is that?

Mr. UPHAM. Practically completed.

Senator FERGUSON. At a cost of \$9,100?

Mr. UPHAM. Yes, sir.

Senator FERGUSON. And what did the Army allow you?

Mr. UPHAM. Twelve hundred gallons of oil that was in the tank. That is all I have gotten so far.

Senator FERGUSON. You haven't signed a settlement? You haven't settled?

The ACTING CHAIRMAN. Twelve hundred gallons of furnace oil?

Mr. UPHAM. Yes, sir.

The ACTING CHAIRMAN. What is that worth?

Mr. UPHAM. About \$95, sir. I might say, Senator, that we did not take the \$810. Then the Army restored the Royal Palm Hotel and it

spent approximately \$2,000. The man I talked with along with Colonel Fitch in looking toward restoration admitted from the post figures that it would run between six and seven thousand dollars.

Senator FERGUSON. Was there anybody superior to Colonel Fitch that talked to you?

Mr. UPHAM. Yes, sir; after we objected to the basis. I will say this for Fitch: I think Fitch did an excellent job, perhaps; from a property owner's standpoint too good a job for the Government. As a taxpayer I can compliment that kind of work except where it works hardships as it can only too frequently do. When he came in to make his settlements, I think he was trying to save the Government money, but he tried to save too much at the expense of the property owners. For instance, I have the settlement figures on 21 hotels and apartment houses which the Army settled for \$100,541 and the actual cost would run \$200,175.44.¹

Senator FERGUSON. Have you ever found anybody else in St. Petersburg that tried to save money for the Government?

Mr. UPHAM. Yes, sir. I think it's a good trait.

Senator FERGUSON. But have you found people other than Fitch?

Mr. UPHAM. I think in the exigencies of making war, we are more careless than we might otherwise be with money, but Fitch leans over backward.

The ACTING CHAIRMAN. Let me ask you this, Mr. Upham: You talked about the Government reconditioning the Royal Palm Hotel. What did they do to the Royal Palm Hotel?

Mr. UPHAM. They went in and varnished the floors without cleaning them, over gum, cigarette burns, the marks the composition shoes make. They use GI soap, which took off some of the old varnish and they varnished right over it. I have pictures of that.

The ACTING CHAIRMAN. What else did they do?

Mr. UPHAM. They would go in a room and paint one baseboard up to the door. They would not paint the door trim, but they painted the door. None of that matched, and some rooms they painted two walls, others they painted four walls, and the painting was——

The ACTING CHAIRMAN (interposing). Is it possible to paint one wall in a room and have a real paint job?

Mr. UPHAM. We told Colonel Fitch we didn't feel that was possible but he went right on.

The ACTING CHAIRMAN. What were they using, water-base or oil-base paint?

Mr. UPHAM. We used a high-grade casein water-base paint.

The ACTING CHAIRMAN. And did you varnish over that?

Mr. UPHAM. We just painted right over that. On the woodwork they used enamel, but they used the casein paint over our oil paint, in the public rooms, and we are having a hard time to correct that now.

The ACTING CHAIRMAN. For a soft finish that casein is very good on walls in bedrooms? Is that right?

Mr. UPHAM. It's an inexpensive paint in a room that can stand.

The ACTING CHAIRMAN. Where it is not a heavy duty room?

Mr. UPHAM. It is not a heavy duty paint. I don't know that there is any heavy duty paint in a barracks.

¹ See Exhibit No. 930, appendix, p. 8963.

The ACTING CHAIRMAN. Then they gave some painting? Anything else? Did that include reconditioning any furniture?

Mr. UPHAM. They reconditioned the 94 dressers we left.

The ACTING CHAIRMAN. How did they do that?

Mr. UPHAM. They did a nice job, sir, but they did not do—

The ACTING CHAIRMAN (interposing). Who did that for them?

Mr. UPHAM. One of the local furniture plants. They did not do any of the desks or any of the beds. They mended two or three of the bed legs that were broken. We had to mend some more and they made no effort to replace broken chairs or to upholster them or do anything with—

The ACTING CHAIRMAN (interposing). What else?

Mr. UPHAM. Maybe half a dozen wood chairs were varnished by the Army.

The ACTING CHAIRMAN. You say that cost about \$2,000. What was done?

Mr. UPHAM. I believe the work on the furniture was \$700.

The ACTING CHAIRMAN. You have spent \$9,100?

Mr. UPHAM. I have spent \$9,100 of money on what I consider was due entirely to Army damage.

The ACTING CHAIRMAN. In addition to what they spent?

Mr. UPHAM. In redoing the hotel.

The ACTING CHAIRMAN. As a matter of fact, if the floors were varnished the way you say they were—

Mr. UPHAM (interposing). We had to sand them. That cost us 50 percent more time and material than it would have if the Army hadn't varnished them at all. The varnish was put over lye-treated surface; the varnish did not dry and when you put a machine on it it gums right up. We have repainted that hotel, every bit of the woodwork, 100 percent. We had to repaint 60 percent of the walls and 90 percent of the ceilings.

The ACTING CHAIRMAN. Have they made an alternative offer over and above the \$800?

Mr. UPHAM. I don't think from my experience with the War Department—well, I will say this. From my experience with the War Department, except with Colonel Fitch, the contacts have been very pleasant with the Department. I did not sign a release and several weeks ago I went to Washington and laid my problem before the War Department. The War Department, as I understand it, cannot make an alternative offer.

Senator FERGUSON. What do you mean by that? Once they offered the \$800 they can't change it?

Mr. UPHAM. They restored the hotel. If I can convince them that we have been damaged, the procedure, as I understand it, is to appoint in the Department a board of claims. They could make a settlement with me up to the extent of \$1,000 under the law, but anything over that has to be treated specially.

The ACTING CHAIRMAN. Do you have the citation of the law they are talking about?

Mr. UPHAM. Colonel O'Brien can verify that.

Senator FERGUSON. They told you \$1,000?

Mr. UPHAM. Last week Colonel Seymour came to me and told me that all the War Department could settle without a review by the

Comptroller General was amounts not to exceed \$1,000. My claim obviously is larger than that and I could not accept \$1,000.

The ACTING CHAIRMAN. Nothing was said about \$10,000?

Mr. UPHAM. No, sir. I was looking over these settlements. I do know in one instance a settlement of \$20,000 in cash was made and there are some hotels that are larger and I think larger settlements have been made.

Senator FERGUSON. How do you distinguish between the \$1,000 you are talking about and the \$20,000 that has been paid?

Mr. UPHAM. I can't, sir.

Senator FERGUSON. Has there ever been any explanation made to you?

Mr. UPHAM. No, sir; I can't explain it.

Senator FERGUSON. You say you have some pictures. Do they show the damage?

Mr. UPHAM. I have pictures of the Poinsettia Hotel, for example [showing pictures]. This is the shape it was left in. I offer this in my capacity in representing the hotel association.

(The document referred to was marked "Exhibit No. 929" and is included in the appendix on p. 8962.)

The ACTING CHAIRMAN. This is before or after reconditioning?

Mr. UPHAM. Well, Senator, I think two are after reconditioning. Those electric light fixtures were badly treated.

Mr. HALLEY. Were showers installed in the bathrooms in some cases?

Mr. UPHAM. I don't think so. I haven't heard of that. I know in some cases the boys pulled the tubs out and when they turned on the water the water went down through the building.

Mr. GOHEEN. In our hotel, the Beverly Hotel, the boys did rip out the showers.

Senator FERGUSON. You say they took tubs out?

Mr. UPHAM. In this particular hotel, Senator. There was one occasion that I know of where one of the boys pulled the tub out of the bathroom and down the hall he went with another boy in it and the water that came out of the pipes went down on the ground floor and spoiled the night's baking in our leading restaurant on Central Avenue. The customers didn't eat that day. That, of course, is not—

Senator FERGUSON (interposing). You have a list of figures here. What is this?

Mr. UPHAM. That is a list of the settlements made on the 21 hotels which are unhappy at this time. They totaled \$100,541. Ultimate damage was estimated at \$200,175.44.

(The document referred to was marked "Exhibit No. 930" and is included in the appendix on p. 8963.)

Senator FERGUSON. Have all these people accepted these settlements?

Mr. UPHAM. With one exception, the Royal Palm, and we are hoping to have a settlement.

Senator FERGUSON. I will put a question mark there and that means not accepted. [Referring to document.]

Mr. UPHAM. All the others have signed releases which bars them from any further negotiations with the War Department.

Senator FERGUSON. Is there anyone here to speak for those?

Mr. UPHAM. I represent them.

Senator FERGUSON. You can state as to why they made settlements?

BEVERLY HOTEL, ST. PETERSBURG—RELEASE BY ARMY

Mr. GOHEEN. I can speak for the Beverly Hotel.

(The document referred to was marked "Exhibit No. 931" and is included in the appendix on p. 8964.)

Senator FERGUSON. You have made a settlement, and will you tell us why you made it?

Mr. GOHEEN. Yes, sir. Before I make that statement I will hand a complete file on our claims and the basis of our claims. We were told that we either had to take—

The ACTING CHAIRMAN (interposing). Before you go into that, has this data been furnished to the War Department or any representative of the War Department?

Mr. GOHEEN. I have a complete set here for the War Department if they want it.

Colonel KNOWLES. I should like to have it. Thank you.

Senator FERGUSON. As I understand it, you made a settlement for \$4,800 and you now claim your damages to be \$11,503.88.

Mr. GOHEEN. That's right.

Senator FERGUSON. Has that already been expended?

Mr. GOHEEN. Yes, sir.

Senator FERGUSON. So it is not an estimate. It is actual cost?

Mr. GOHEEN. Yes, sir; sworn to.

Senator FERGUSON. Will you tell us why you settled for \$4,800?

Mr. GOHEEN. Because we were under duress, either to take the money or the Government would move in and do it their way. We had the experience of Upham's hotel, the Royal Palm, and we didn't want it.

Senator FERGUSON. Had you seen what the Government had done at the hotel?

Mr. GOHEEN. No, sir; he told me.

Senator FERGUSON. You didn't see it yourself?

Mr. GOHEEN. No, sir; I didn't.

Senator FERGUSON. And now you say that because the Government said \$4,800 or they would do it, you signed?

Mr. GOHEEN. We decided it was the lesser of two evils and we'd do it ourselves.

Senator FERGUSON. Did you consult counsel?

Mr. GOHEEN. Yes; and he told us that we were in an embarrassing position in that it would take lots of time to go first through the Court of Claims, if our claim was over \$10,000, and if it was under \$10,000 we could go to our district Federal court in Tampa, but before we get up to the place of settlement, I would like to state that we did file with the then Colonel Fitch our estimate of the claims. We have produced evidence of that.

Senator FERGUSON. Before you made the settlement?

Mr. GOHEEN. Yes, sir.

Senator FERGUSON. What was that estimate?

Mr. GOHEEN. That estimate was \$8,600.

Senator FERGUSON. What did he say about that?

Mr. GOHEEN. They just told us that they couldn't settle on that basis.

Senator FERGUSON. Why?

Mr. GOHEEN. They said it was too much; that part of that damage was ours.

Senator FERGUSON. What part was yours?

Mr. GOHEEN. He told us that we had a certain amount of maintenance there that we had to stand for ourselves, and we agreed to that, which was \$700. We had been spending from \$500 to \$750 annually inside, but because the Government came and took our hotel in the summer of 1942, we agreed to make allowance for that amount, which we have set up on our statement here. They then told us, after we refused their settlement, that we had better go and get a contractor, and we went and got a contractor and he met my figures.

Senator FERGUSON. After you accepted?

Mr. GOHEEN. No, sir; this was all before.

Mr. HALLEY. What was the first offer made by the Government?

Mr. GOHEEN. The first offer made was \$3,000. Before we left that sitting they told us if we would take what they called a turnkey settlement, meaning turning the key over to the house, they would increase it to \$3,650. We refused that settlement and asked if we couldn't have some time.

Mr. HALLEY. Did they at any point give you the basis for their figures?

Mr. GOHEEN. No, sir.

Mr. HALLEY. Did you ask for them?

Mr. GOHEEN. We asked for them and were repeatedly turned down.

Senator FERGUSON. Why did they turn you down? Did they give you a reason?

Mr. GOHEEN. Yes, sir; it was a military secret.

Mr. HALLEY. What individual said that?

Mr. GOHEEN. We were dealing with Colonel Fitch and a civilian representative, Mr. Ed Busby, who is now deceased. He was considered the senior negotiator. We went, following this session, and consulted our attorney. We were told we would be given 48 hours—no, we asked for 48 hours and they told us they would give us 24 hours to decide whether we would accept the turnkey proposition or come back with a counterproposition. We told them we hadn't any counterproposition; that we had our figures all established. The next time they offered us \$4,200, which meant they were still horse trading with us. After we had submitted a licensed contractor's figures, of which I have produced a photostatic copy, my associate attempted to get from Colonel Fitch the break-down of his figures, and in a meager way he got some commitment from him, but not final nor total, and even with the total figures he more or less admitted he still was \$1,800 short of what he finally offered, and said that would be the last figure.

Senator FERGUSON. When did you change your mind after you made a settlement? Had you legal advice to make it?

Mr. GOHEEN. We didn't have legal advice to make it. They never told us what to do.

Senator FERGUSON. You said you consulted a lawyer.

Mr. GOHEEN. Yes; and he told us we were in an embarrassing position because we were racing against time to get the hotel ready for this coming season, and because we would be delayed.

Senator FERGUSON. When did you change your mind about the settlement?

Mr. GOHEEN. When they told us that we either had to take the \$4,800 or the Government had men ready to put in that afternoon or the next morning to do it.

Senator FERGUSON. So you took the settlement. When did you start proceedings?

Mr. GOHEEN. They turned possession over. We negotiated.

Senator FERGUSON. When did you decide you wanted to try to get more money? Is that what you are here for?

Mr. GOHEEN. Yes, sir. We feel that—

Senator FERGUSON (interposing). When did you decide that?

Mr. GOHEEN. We knew it all the time that we were entitled to more money.

Senator FERGUSON. Then you had in mind that you would make the settlement and that then you would start after that—after you got your repairs done—to try to get the excess?

Mr. GOHEEN. No, sir; no, sir. We know all the time, and we told Colonel Fitch all the time, that we could not make our restoration on the figures that he had offered us.

Senator FERGUSON. Here is what I am getting at. You make a settlement. You make it and get your property back.

Mr. GOHEEN. Under duress.

Senator FERGUSON. You know it is duress while you are making it, and when do you decide you are going to try to remedy it?

Mr. GOHEEN. We decided all the time we weren't satisfied.

Senator FERGUSON. And you would do what you could after you got the property back?

Mr. GOHEEN. Yes, sir.

Senator FERGUSON. Did you tell Fitch that?

Mr. GOHEEN. Yes, sir.

Senator FERGUSON. What did Fitch say about that?

Mr. GOHEEN. He didn't say anything about that.

Senator FERGUSON. That you would make the settlement and then start proceedings to try to get your money?

Mr. GOHEEN. No. We told him we were not satisfied with his settlement and that the place could not be restored for the amount of money that he offered us.

Senator FERGUSON. But, notwithstanding that, you signed?

Mr. GOHEEN. Yes, sir; because we were told we had to do one of two things: Either sign or else have the Government do it. They told us they had men ready to put in our hotel that afternoon or the very next morning, and as I stated a little while ago, we decided on the lesser of what we thought were two evils, or the lesser of two losses.

The ACTING CHAIRMAN. I want to ask you a question here. I have this estimate here by E. N. Staples, stating that Major Fitch, or Colonel Fitch, set down opposite the contractor's estimate of the item his estimate of the item. The first item the contractor estimated was \$1,004.40, and Major Fitch put down \$620.

Mr. GOHEEN. Those are my associate's figures. All the time we were trying to get from the then Colonel Fitch his break-down.

The ACTING CHAIRMAN. What did your associate base his \$620 on?

Mr. GOHEEN. That was the commitment that Major Fitch made to him that their engineering department had estimated.

Senator FERGUSON. Those were the military secrets?

Mr. GOHEEN. That's right.

The ACTING CHAIRMAN. Did he give you the basis for that \$620?

Mr. GOHEEN. No, sir; he did not.

The ACTING CHAIRMAN. At any place did he give you any basis for those figures?

Mr. GOHEEN. No, sir.

The ACTING CHAIRMAN. I notice one item, one of \$232 for enameling woodwork in which he agrees with you, and one for \$246 and one for \$25, in which he appears to be in agreement.

Mr. GOHEEN. That's right. That means our contractor wasn't very far away from their engineer's figures.

The ACTING CHAIRMAN. Are these engineer's figures?

Mr. GOHEEN. He didn't tell us whose figures they were. I said we were all the time trying to get these figures broken down. We were trying to break down this military secret, because we didn't think it was a military secret.

Senator FERGUSON. Did you tell him that?

Mr. GOHEEN. Yes, sir.

The ACTING CHAIRMAN. Did he give you an indication of what he seemed to base this on?

Mr. GOHEEN. No, sir; he did not.

Senator FERGUSON. Did you ask him to explain what the military secret was?

Mr. GOHEEN. I heard that statement so often that—

Senator FERGUSON (interposing). Was it in the figure or how they arrived at the figure that the military secret was involved?

Mr. GOHEEN. The only thing I can say, Senator, is that any time I had dealings with Colonel Fitch he sat back and figured like this [indicating]. When we went to him the first time we threw the figures I had prepared on his desk without question, and then we asked him to compare his figures with ours. When these figures were presented, that is when they offered us \$3,000, and before we left that hearing we were raised to \$3,650 if we would take it immediately, and that is when we turned it down. Two days later they called us back and they said, "We found some adjustment in our figures," and they increased it to \$4,200 and we still turned it down. We still asked for a break-down of their figures. We were trying to see whether we were wrong and it was at the second hearing that they suggested that we get this particular contractor to turn his figures in. They thought perhaps we weren't figuring correctly.

The ACTING CHAIRMAN. They selected the contractor?

Mr. GOHEEN. They suggested him.

Mr. UPHAM. They used him frequently, Senator, during the negotiations with the Army.

Senator FERGUSON. So you went to the contractor they had used?

Mr. GOHEEN. That they had suggested; yes, sir.

Senator FERGUSON. But they didn't take his figures?

Mr. GOHEEN. They didn't take his figures; no, sir.

ACQUISITION AND RELEASE OF ST. PETERSBURG HOTELS BY ARMY

Mr. UPHAM. Along that line, I might say, Senator, that Colonel Fitch repeatedly made the statement to me—and incidentally I settled two or three other hotels with his office. He would ask me if I knew that a certain hotel man in St. Petersburg had, during the month of May, refinished some of his hotel rooms, two coats of oil paint for

a total of \$18. I told him I didn't know of that and I didn't believe it could be true, and who was it. He said that was a military secret and yet I know the average cost would be \$30 or better in St. Petersburg. We still don't know who it was.

Senator FERGUSON. Would you say these settlements are typical of the others you made?

Mr. UPHAM. I made one settlement, \$7,250 for a 72-room hotel, it is not in the list there because it comes close to covering their expenses.

Senator FERGUSON. How do you account for that settlement?

Mr. UPHAM. I don't know. I never have known. The contractor put in his figures and I guess by that time Fitch wasn't going to cut down too much, but he still insisted, in spite of the fact that he had told us that the properties would be returned in good or better condition, the owner would have to bear part of the damages, and in this case the owners have borne about \$1,500 and are not protesting.

Senator FERGUSON. Did he tell you the percentage the owner would have to stand?

Mr. UPHAM. At the beginning of the lease negotiations, the owner was not to stand anything.

Senator FERGUSON. But when you got through?

Mr. UPHAM. Oh, no; he didn't come out with any amount. It would depend on the age of the building. If he thought the building was old—older buildings, incidentally, require more maintenance and repair than a newer building—but he apparently figured the owner should stand more.

Senator FERGUSON. What are these checks for, "ES"?

Mr. UPHAM. Estimates; the others are actual costs. In other words, some of those owners haven't had enough money to complete their work and they have had to throw in estimates of what they will have to do either next summer or whenever they can get enough money to do it.

Mr. HALLEY. Do you or any of the owners whom you represent, Mr. Upham, have any statement with respect to original rent and the amount of rents? Do you consider that satisfactory?

Mr. UPHAM. We do not consider that satisfactory, as I say. The per-man figures in St. Petersburg are \$58 a room, and that runs about 60 percent of what the hotels normally received in previous years out of their business.¹

Senator FERGUSON. You mean net?

Mr. UPHAM. Their net operating profit. In our case the net operating profit for 5 years averaged better than \$20,000. We got \$12,500. That is about the case in practically all of the hotels.

Senator FERGUSON. This figure does not mean much when you say \$119 to \$58. It all depends on what is normal. You said General Arnold said it was \$119 per man in Miami Beach and \$58 in St. Petersburg.

Mr. UPHAM. Yes, sir.

Senator FERGUSON. Normally, it costs much more money to be at Miami Beach than it does to be at St. Petersburg.

Mr. UPHAM. Senator, does it cost any more to house a man with four walls?

¹ In this connection see Exhibit No. 925, appendix, p. 8954.

Senator FERGUSON. But that is normally true, isn't it?

Mr. UPHAM. Because maybe the hotel owners over here take advantage of the glamor. Our people are older.

The ACTING CHAIRMAN. No. What he is getting at is that comparative figure on the building valuation may reflect in there.

Mr. UPHAM. Yes.

Senator FERGUSON. Isn't it true in normal times that it costs twice as much to live at Miami Beach in the winter, during the season, than it does to live at St. Petersburg?

Mr. UPHAM. That's true, but does the building cost more? Should we pay because they take advantage of the people?

(Off the record.)

Mr. HALLEY. What do you know of the negotiations? How were they conducted?

Mr. UPHAM. The settlement negotiations?

Mr. HALLEY. The negotiations for the original renting.

Mr. UPHAM. Oh, as low a basis as Colonel Fitch could make.

Mr. HALLEY. Was any pressure brought to bear, to your knowledge?

Mr. UPHAM. Brought by the citizens; yes; by citizens of the city.

Mr. HALLEY. Were any of the hotel owners told their property would be roped off and inaccessible?

Mr. UPHAM. Yes, sir.

Mr. HALLEY. Who were they?

Mr. UPHAM. The Allison Hotel, for one, the Stanton Hotel, for another. I wasn't told that because I optioned the Royal Palm early in the game, but I know those hotels definitely were.

(The documents referred to were marked "Exhibits Nos. 932 and 933" and are included in the appendix on pp. 8985 and 8986.)

Mr. HALLEY. That their hotels would be made inaccessible to the public?

Mr. UPHAM. That their customers couldn't drive up to the hotels.

Mr. HALLEY. Do you know of any that actually was roped off?

Mr. UPHAM. Yes, sir; the Alida and the Gotham Hotels were not occupied by the Army and the entire block in front of those hotels was blocked off—roped off.

Senator FERGUSON. They never were occupied by the Army?

Mr. UPHAM. They occupied a building next to the hotels.

Senator FERGUSON. But the hotels were never occupied or leased by the Government?

Mr. UPHAM. No, sir.

Senator FERGUSON. Did the Government cut off access to those hotels?

Mr. UPHAM. Yes, sir; not foot access, but automobile.

The ACTING CHAIRMAN. Did the city permit them to do that? They couldn't put the city under martial law. The Army can't take a street.

Mr. UPHAM. When they go out and hang up a rope well—

The ACTING CHAIRMAN. What was your police force doing?

Mr. UPHAM. They were cooperating with the Army, sir. That was done in that case. That was voluntary. But it was a threat in the first place.

Senator FERGUSON. Your city officials voluntarily surrender and now you come and ask the committee to say you shouldn't have voluntarily surrendered.

Mr. UPHAM. We didn't object to that; I don't think the hotels did, but that was used as a threat in getting the hotel owners to lease their property at less money than they thought they should have.

Senator FERGUSON. Did Fitch tell you that?

Mr. UPHAM. Mr. Frazure; John Frazure.

Senator FERGUSON. Who is he?

Mr. UPHAM. A resident of Miami Beach. He negotiated a great many leases in St. Petersburg. He told people that.

Senator FERGUSON. What did he tell you?

Mr. UPHAM. He didn't tell me, sir, because I was an early one to sign up. I think I have an affidavit here covering that from Mr. Dugan, who is part owner of the Dusenbury Hotel and the Randolph Hotel, and he says:

Upon being enlightened by the Army's representative, Lt. Col. David Fitch, of the problems which would certainly confront us the coming season if we did not sign up with the Army and at the Army's figure, such as (1) the blocking off of streets adjacent to or near our hotel, thereby interfering with the easy egress and ingress of guests, (2) the early blowing of bugles and noises of marching soldiers very early in the morning, (3) the very strict restricting of the traveling public by train or bus into Florida, and (4) the possibility that the turning of St. Petersburg into an Army replacement center would be a discouraging feature as an entertainment to tourists to spend their vacation in St. Petersburg, we felt that the picture was so black that we agreed to sign at their figure.

(The document referred to was marked "Exhibit No. 934" and is included in the appendix on p. 8987.)

Senator FERGUSON. Some of those are actually true.

The ACTING CHAIRMAN. And legitimate.

Senator FERGUSON. That the people couldn't get there and the fact that they would be out on the street training troops.

The ACTING CHAIRMAN. And blowing bugles.

Senator FERGUSON. Those are accurate. There is no threat in that.

Mr. UPHAM. There isn't any threat in that. Perhaps the facts wouldn't have hurt, but it was the way they were used. I think the threat to rope off a street is a serious one.

Senator FERGUSON. But doesn't the owner know that they can't do it under normal conditions?

Mr. UPHAM. We have a number of hotels owned by women; women don't know these things.

Senator FERGUSON. You are the representative of some of these people?

Mr. UPHAM. Yes, sir.

Senator FERGUSON. How do you account for it?

Mr. UPHAM. There was a feeling they should cooperate with the Government. They all went up and offered their properties on some basis, but were then told they could not have the rent they asked for, and they had to take such and such rates. They were told that on several occasions. People went back several times and asked for more and they were told these things about the need of their property and how they wouldn't make anything, probably starve to death if they didn't take what the Government offered them.

Senator FERGUSON. Normally that would have been true, that they wouldn't have gotten anything out of it if people couldn't have gotten down here. Isn't that true?

Mr. UPHAM. Normally, if people couldn't have gotten down here; yes.

Senator FERGUSON. Did you have gasoline rationing there?

Mr. UPHAM. We had gas rationing, sir, the same as the eastern seaboard.

Senator FERGUSON. But Miami didn't. How do you account for that?

Mr. UPHAM. I think Miami has had the same rationing that we have had, but I think what Mr. DuPree meant was that the O. P. A. tightened up in certain States in the East for certain periods before others.

Senator FERGUSON. You never had "no pleasure driving?"

Mr. UPHAM. We had a number of people who came last year by automobile.

Senator FERGUSON. But in the town were you allowed pleasure driving?

Mr. UPHAM. The holders of A cards have been up until recently. The O. P. A. said a man who had an A card could go hunting if he saved his gas.

Senator FERGUSON. Then you had no ban on pleasure driving?

Mr. UPHAM. No, sir; no, sir; but in the case of the Dusenbury Hotel, he leased it to the Army and at the time he had 100-percent reservations for the following year. Most of those people were in St. Petersburg in the fall and would have come back.

Senator FERGUSON. You say he had it leased but he voluntarily took much less money?

Mr. UPHAM. That's right, sir.

Senator FERGUSON. How much less?

Mr. UPHAM. \$11,500.

Senator FERGUSON. Less?

Mr. UPHAM. No; that was the rental.

Senator FERGUSON. Was that over and above—

Mr. UPHAM (interposing). His normal earnings, in the previous season, were \$18,524—that was 1940-41, and in 1940-42, it was \$12,000.

Senator FERGUSON. Could this be true: That the people there, the war being on, decided they weren't going to be able to get the normal traffic, the normal tourists, and therefore they decided it would be a good thing for them if they could get the Government to take over their buildings and occupy them during a time when we were at war? Is that true?

Mr. UPHAM. Personally, I felt that it would be. We were told that these properties would be occupied for the duration, not for 12 months.

Senator FERGUSON. Of course, you knew that no particular assurance would be given that they would be occupied for the duration, because the Army moves. It is compelled to move. Why would you believe that statement that it would be occupied for the duration, when you know that camps are abandoned as the Army moves?

Mr. UPHAM. Well, perhaps we didn't do much thinking.

Senator FERGUSON. You didn't do much thinking; that's about it and you were a little panicky on the prospect of not getting tourists; isn't that right?

Mr. UPHAM. We felt the Government wanted those properties. We didn't know what the tourist season would be. We felt we would be doing a service to the community and to the country if we leased them.

Senator FERGUSON. Why do you change your mind now? It was patriotism one day; what is it today?

Mr. UPHAM. We haven't changed our minds about being unhappy about the rents. We have been unhappy about it since the beginning.

Senator FERGUSON. You were more unhappy about the settlements made for the destruction of your property?

Mr. UPHAM. Yes, sir; particularly since our rents provided for the properties, on Colonel Fitch's say-so, to be returned in as good shape as when they got them.

Senator FERGUSON. So your chief complaint now simmers down to the question that you are not getting them back in as good condition, and if the Army did give them back, they would be in worse condition?

Mr. UPHAM. No, sir; not altogether. They restored the Princess Martha and the Carleve Hotels in St. Petersburg and the job was very well done. There is no comparison between the jobs done there and the job done at the Royal Palm.

Senator FERGUSON. What about your claim?

Mr. GOHEEN. Don't forget they made the proposition with us shortly after they had been to Mr. Upham's hotel. There has been a space of time elapsed. The Princess Martha isn't finished yet, and the Army is doing a better job today than when they talked to us and Mr. Upham's was the hotel they first negotiated for, and his was the one they used as a guinea pig and the guinea pig didn't seem to measure up to our specifications and desire.

Mr. UPHAM. You asked me how many of these people were influenced by this restoration done in the Royal Palm Hotel.

Senator FERGUSON. Will you leave those with the committee? [Referring to document.]

(The documents referred to were marked "Exhibits Nos. 935 to 938" and are included in the appendix on pp. 8991-8993.)

Mr. UPHAM. Yes, sir; and those bear out what Mr. Goheen has told you. I think Mr. Goheen will tell you that the job they did at the Royal Palm was so terrible that——

Senator FERGUSON (interposing). But they never offered to come back and redo it?

Mr. UPHAM. The Government would be very lax if it permitted Army officers to encourage claims against the Government and the Government could not come to us; it's my place to go to it. I have been to the Government and the War Department has been very cooperative. The War Department still insists we are to pay at least a portion of our Army damage on the basis that we would spend so much money each year anyway. In contrast to that——

Senator FERGUSON (interposing). Isn't there something to that?

Mr. UPHAM. It would be if we had been allowed to figure that in our rental, but we were told that would not be necessary. We couldn't figure it in our rentals and the rentals were based on that premise, sir.

Senator FERGUSON. How much does that amount to?

Mr. UPHAM. Your question, sir, would apply to the Royal Palm only?

Senator FERGUSON. Yes.

Mr. UPHAM. They haven't told me what they could do. They would be very foolish to tell me what a board of claims that hasn't even sat on a case would tell me.

Senator FERGUSON. Is there anything to prevent the Army from going over there today and putting a contractor in to repair it?

Mr. UPHAM. It is all done. We have redone it completely.

Senator FERGUSON. Could it have been done?

Mr. UPHAM. I complained; I refused to make a settlement.

Senator FERGUSON. After you made the settlement, did you go ahead and do the work without further complaint?

Mr. UPHAM. I never made a settlement. They mailed the keys to me and I protested the condition. They wanted me to sign a release and I declined to do so.

Senator FERGUSON. Getting down to the Beverly, when did you do this work? Did you protest after they did your work? You said the Beverly was poorly done?

Mr. UPHAM. No; the Royal Palm was poorly done.

Senator FERGUSON. I see. That is the one where they gave you the oil?

Mr. UPHAM. They just left the oil. They didn't leave much else.

Mr. HALLEY. Was there any contention on the part of the owners in St. Petersburg that their leases were canceled after less than a year had run? Was that one of the points that you people are making?

Mr. UPHAM. We were told our leases were to run for a longer period than just 1 year, and of course all the damage occurred in the first 12 months. No more damage would accrue, probably, to the furniture if the Army were in a longer period.

Mr. HALLEY. You make the point that the longer the lease the less proportionate damage per year.

Mr. UPHAM. I told Fitch if the Army occupied the Royal Palm 1 year we would have \$1,000 in the bank to meet contingencies; if they were in there 3 years we would have \$3,000. I asked him to step the rent up the first year and down the second, but the slim margin did cost us, in every case, money.

Mr. HALLEY. At the time you signed your leases you knew there was a 30-day cancellation clause in them?

Mr. UPHAM. We were told it was customary in the leases. We didn't see the leases until after the Army was in the properties.

Mr. HALLEY. Did you understand about the 30-day cancellation at the time you signed your option agreement?

Mr. UPHAM. I don't remember the point coming up.

Senator FERGUSON. Do you have a copy of your option?

Mr. GOHEEN. Yes.

Senator FERGUSON. It provides for the 30-day cancellation?

Mr. GOHEEN. Yes, sir; I have a copy of it here; yes, sir, and copy of the option to purchase.

Senator PEPPER. Mr. Upham, the point of disagreement, then, between you and the Army essentially is over the amount of the damage done during the occupancy of your hotel?

Mr. UPHAM. I might say, Senator, that the difference of opinion between myself and the Army at the present time is how much of the

eight or nine thousand dollars of damages is properly ours and how much is properly the Army's on the basis that we, as owners, should assume part of that as ordinary wear and tear.

Senator PEPPER. What did the Army authorities suggest as to the way the disagreement between you and them should be settled?

Mr. UPHAM. The suggestion is that I should file a claim at this time. That will be referred to a board of claims, made up of three officers.

Senator PEPPER. All of them Army officers?

Mr. UPHAM. I think I am correct on that.

Col. JOHN J. O'BRIEN. That's right; the usual Army claims board.

Senator PEPPER. They didn't propose setting up a tribunal or board of arbitration that might be disinterested between you and the Army; I mean disinterested in the sense that they wouldn't be representative of either of you, but there might be one from the Army, one from you, and an umpire properly selected.

Mr. UPHAM. We suggested that, but it is my understanding that the statutes prevent that. I have a letter from Mr. Patterson that that is illegal.

Senator PEPPER. You have been informed by the Office of the Under Secretary of War that it is illegal for any such board of arbitration to be set up?

Mr. UPHAM. That's right; yes, sir.

Senator PEPPER. Did the Army authorities say that for you to take advantage of their offer to submit the matter to that regular Army board you would have to agree to be bound by their decision?

Mr. UPHAM. I think the procedure is that if the board is to pass that claim on to the Comptroller General's office, the Comptroller himself will not agree to review what the board of claims finds unless we agree to sign off and accept their findings.

Senator PEPPER. If you don't apply, then, to this board for an adjustment of the difference, you are left only to your legal remedies?

Mr. UPHAM. That's right.

Senator PEPPER. To apply to the Court of Claims for adjustment of your dispute or try to get some legislative relief?

Mr. UPHAM. That's right.

Senator FERGUSON. But some claims have been satisfactorily adjusted up to \$20,000?

Mr. UPHAM. Yes, sir; or so nearly satisfactory, Senator, that no complaint is being made.

Senator FERGUSON. Do you gentlemen have anything else to add to the record?

BEVERLY HOTEL, ST. PETERSBURG—ACQUISITION BY ARMY

Mr. GOHEEN. I would like to go back to the leasing of the hotel, if I may. It so happened that when the Army moved into St. Petersburg the office personnel moved into the same office building and on the same floor that I occupied at that time. I was one of the first ones to turn over the option of three hotels; the Beverly was finally accepted.

Senator FERGUSON. Let me get a little more on this option. Did you personally negotiate the options?

Mr. GOHEEN. Yes, sir; I did.

Senator FERGUSON. And Colonel Fitch didn't negotiate those?

Mr. GOHEEN. Yes, sir; he was the one that I negotiated with.

Senator FERGUSON. I mean you represented——

Mr. GOHEEN. I was one of the owners. My partner was in the north at the time.

Senator FERGUSON. Was it stated at that time that they wouldn't come in unless they could get so many rooms?

Mr. GOHEEN. Yes.

Senator FERGUSON. Why were they taking options?

Mr. GOHEEN. To find out if they could get a set-up in St. Petersburg. The hotel men, I think from a patriotic standpoint, rallied to the call. I know I did. I was one of the very first ones to turn in three hotels.

Senator FERGUSON. And at that time the price was satisfactory?

Mr. GOHEEN. No price was considered.

Senator FERGUSON. But the option gave the prices?

Mr. GOHEEN. It was a questionnaire we first filled in, meaning, "What have you got to offer? What are your State and county taxes? What are your liabilities? What are your city taxes? How much mortgage do you owe?" In other words, that was the first questionnaire that was filled in, and another question was, "What rent do you think you should get?" In the case of the hotel which was finally taken, we asked for \$20,000. Colonel Fitch just laughed at me and said, "Why, we can't pay you any rent like that." I said, "Well, Colonel Fitch, this hotel has been producing around \$28,000 for a 7½ months' season operation from tourists." He said, "This is the Army. We can't pay prices like that." So he offered me first \$8,500.

Senator FERGUSON. You knew that to be a fact; that it was the Army and to bring a man down here—a boy—and train him is a lot different from a boy coming down personally as a tourist for pleasure?

Mr. GOHEEN. That is correct; yes. But I am leading up to where we think the rent was inadequate and why he offered \$8,500 first, and I said, "What yardstick are you using?" He said, "I am using the yardstick of your State and county valuation." I said, "What's your percentage?" He said, "You can figure it out for yourself." I said, "Well, it looks to me as though it's less than 10 percent. How many boys are you going to put in that hotel? We are talking about how many you are going to accommodate." He said, "I don't know. We will have to find out how many we can accommodate. It will take 60 square feet per boy." I said, "Fine. Let's go and make a survey."

Before we made the survey, he asked if I was coming down to sign the options. He was trying to get options after the questionnaire. I said, "Major, my partner says we can't sign options at your \$8,500." He said, "You come in my office and see if we can do any better." So he came in and said "\$9,700." I was not satisfied and neither was my partner. So he designated Mr. John Frazure, who was the senior negotiator, to go with me to the Beverly Hotel, and we made a survey and it was after the survey was made that he said "This will take care of 165 or 168 men," and I said, "That's about 40 more than we accommodate normally in tourist business." They were going to double up to some extent.

I am going a little ahead of my story. I was called to go there in March 1942, with a fire inspector, to inspect four storerooms which we had been permitted to put furniture in. We made the inspection

and I happened to notice one room that their Mr. Frazure said would accommodate three boys, because it has only one window. There were five double-deck beds in that room. I went down to the desk and I asked the officer in charge, who was a corporal—I don't know his name—if there were 10 boys in this particular room and he said, "Yes." In other words, instead of accommodating 165 boys in February and March, they accommodated 475 to 500 boys in that hotel.

I am getting a little ahead of my story, so I will go back and say that we felt we should be paid on the basis of boys served, rather than space given, and he didn't see fit to do it on that basis. He told me it was based on our State and county valuation. He further stated that if I would increase my valuation under affidavit—that is, to the State tax assessor—he would increase my rental. I said, "Major Fitch, I am not that foolish."

Senator FERGUSON. Does your constitution down here provide that the assessment shall be the actual cash value?

Mr. GOHEEN. There was a law passed here in 1941 that our State and county should assess on 100 percent valuation. That was brought about because of homestead exemption.

Senator FERGUSON. So he was going on that basis?

Mr. GOHEEN. That is correct.

Mr. UPHAM. On a notoriously poor county assessment valuation set-up.

Senator FERGUSON. In other words, you would say the assessor is violating his oath of office?

Mr. UPHAM. He is honest in every other particular, sir.

Mr. GOHEEN. I will inject here that there are other factors that enter into it. I think the physical condition of the property is important. If I have a \$10,000 property and I don't maintain it, it goes down to no value; if I have a \$10,000 property and I keep it up, I still have a \$10,000 valuation. I can see where the assessor goes around and takes the physical condition to determine whether that is a good value or not.

Senator FERGUSON. Isn't that what you get your income on?

Mr. GOHEEN. Yes; but part of that value is on the land and part on the improvements. In our case, more was in land than in improvements, yet we were producing our normal income off the improvements.

Senator FERGUSON. But under the law land has to be assessed on the actual cash value.

Mr. GOHEEN. That is correct; that is what the law says. If there were no sales negotiated in the particular area then nobody knows what the cash value is.

(Off the record.)

The ACTING CHAIRMAN. Back on the record.

Mr. GOHEEN. I would like to ask a little further—

The ACTING CHAIRMAN. Off the record.

(Off the record.)

Mr. GOHEEN. I would like to raise the question of the condition report which the Army made to their various and sundry commands. They took our hotel on July 24. The first condition report was made on July 23, which was the gardener. The next report was made by

the property man. He made a condition report, finding all the defects, among them being that porches on the outside were all chipped. Well, it so happened the house was being painted and I had to ask at that time permission of Major Fitch to finish the painting job, which he granted me, and which I have his O. K. on right here. I bring that out to show that no matter how well kept you had your property there was always a yardstick used to beat down; that the property wasn't up to standard. The last report was made on October 7, which was made by the electrician.

Now, what I am trying to set forth here is that they had taken possession on the 24th of July. They had taken up until October 7 to find out what the condition of the house was after they had put their soldiers in there, and I state that that condition report is not correct. I further state that we were told when this condition report came back that we had to sign it or we couldn't get any rent.

The ACTING CHAIRMAN. Who told you that?

Mr. GOHEEN. Someone in the post engineers' office.

The ACTING CHAIRMAN. Who told you that?

Mr. GOHEEN. I can't tell you the name.

The ACTING CHAIRMAN. A commissioned officer?

Mr. UPHAM. A civilian employee, and in one case the rent was not paid. That was Mr. Haynes, who testified before us.

The ACTING CHAIRMAN. You mean the gentleman from Daytona Beach?

Mr. UPHAM. In another case in St. Petersburg they did not sign the condition report, but they have gotten the rent.

The ACTING CHAIRMAN. It is a basis for cancelation?

Mr. UPHAM. A basis for settlement.

Mr. GOHEEN. I am bringing out the point that they weren't fair first in their condition report, which leads up to the fact that they weren't fair in their settlement report, and in making the appraisal for settlement, I might state that I think that I perhaps was the first one and the only one who matched the Government's engineers in their survey. They had nine men at my hotel at 9 o'clock one morning, as agreed on, and I had nine there. In other words, I matched every man they had.

Senator FERGUSON. Did it do you any good?

Mr. GOHEEN. It hasn't done me any good so far.

The ACTING CHAIRMAN. In other words, your estimate of the situation was strategically correct?

Mr. GOHEEN. And theirs was not.

The ACTING CHAIRMAN. Evidently the number of men was not a military secret.

Mr. GOHEEN. No, sir, and Major Fitch was on the job a very few minutes himself. He had mostly civilians.

Senator FERGUSON. Apparently he was a quite active major.

Mr. GOHEEN. He was; he was everywhere and I personally went in every room and I made demands of what we expected to be done in that room. We gave a reconditioned report, which perhaps they have in their records. I don't have it. On that request I then furnished my estimate. I happened to have building experience for the last 21 years myself, and I had run my own maintenance crews, so I had some

knowledge, but with that I had each one of these men that I had with me make up their own estimate and I have most of them in writing, in bids.¹

Senator FERGUSON. That is all furnished to the committee?

Mr. GOHEEN. Yes, sir.

The ACTING CHAIRMAN. At the time they took over did you have any detailed condition report of your own as of the time of taking over? Did you prepare anything of that kind yourself?

Mr. GOHEEN. No, sir; the only thing I did was to try to get the hotel in such order as they wanted; take out such furniture as they wanted out and leave that they wanted and at that time Major Fitch and another officer went through the hotel and said we had left it just like they wanted it. We had eliminated the double beds. We tore them down, and we haven't set up a claim for that. That amounted to \$300 or so. That was in preparation to turn it over to them on July 24.

Mr. UPHAM. With respect to these rents, you asked the question, Senator, as to when we made up our minds we weren't happy about these rents. According to the best guess that we could make, Fitch was willing to pay 11 percent and the county valuation, theoretically, was 100 percent. In the case of the Southmore Apartments the Army paid \$2,700 rent and that property was sold in 1941 for \$60,000. That is less than 5 percent. In the case of the Pennsylvania, that property cost \$500,000 and the rent was \$25,000.

(The documents referred to were marked "Exhibits Nos. 939 and 940" and are included in the appendix on pp. 8993 and 8994.)

The ACTING CHAIRMAN. That was in 1926. That was a boom time.

Mr. UPHAM. I was formerly one of the directors of that hotel company. Three hundred thousand dollars was the bond issue on it. That was the mortgage on it. The Royal Palm Hotel we carry at \$184,000. We got \$12,500. Vinoy Park, \$4,612 000, and the rent was \$92,250. The Mount Vernon cost \$175,000 and the rent was \$12,000. The Mount Vernon is 5 years old. The Stanton cost \$95,000, was only operated for 6 months, and then turned over to the Army at the rate of \$5,500.

Now, if the Government were being fair in offering 11 percent, or following the 11 percent rule on our county assessor's valuation, these rents are half as much as they should have been on the actual valuations, actual costs. Perhaps we should elect a new county assessor.

Senator FERGUSON. The rate did figure 11 percent on the county assessment.

Mr. UPHAM. On a narrow range; yes, sir.

Mr. GOHEEN. In our case it came up to 10½ percent or 10¾ percent. Originally it started out at 10-minus, and wound up at 10-plus.

Mr. UPHAM. I would like to ask the committee to consider the hotel situation in St. Petersburg and in Miami although I don't attempt to speak for the Miami group at all. In Time magazine for September 20 I want to call your attention to the account of the reconversion of the Kelly-Springfield plant in Cumberland, Md. The plant has been employing 5,500 men and the statement is made in this article that "the company has dodged the horrific bugaboo now raising

¹ See Exhibit No. 931, appendix, pp. 8964-8985.

the hackles of reconversion cost. The Government will foot the bill, a standard practice when it leases a plant."

Now, it is a little hard for us to understand, particularly in the face of these settlements, that we should be treated any differently from the stockholders at Kelly-Springfield or any other industrial plant in the United States. Most of the people who own hotels in St. Petersburg have their life savings in them. Some of them are not as young as I am by a good deal. They are much older and they can't stand to have this thing come on them in the face of poor business, such as we are facing. I would like to ask this: Senator Ball is planning on coming to St. Petersburg in another 2 weeks. I would like to ask your committee to perhaps have Senator Ball take part of his vacation—I don't think you gentlemen are going to get too much while you are here in Florida—and go into some of these problems over here, if you think it worth while.

Senator FERGUSON. What do you mean "problems"? Looking at buildings?

Mr. UPHAM. Discussing these figures with these people and determining whether we really have a legitimate complaint. There wouldn't be time for them to come over and you don't want to take time to listen to them.

(The documents referred to were marked "Exhibits Nos. 941 to 957," and are included in the appendix on pp. 8996-9015.)

The ACTING CHAIRMAN. Is that all, gentlemen?

Mr. UPHAM. I think that is all.

Mr. GOHEEN. Have you any further questions?

The ACTING CHAIRMAN. I have nothing further. Mr. Dunn, please. I believe your name is George M. Dunn and you are president and manager of Town Talk Bakery?

Mr. DUNN. That is right.

The ACTING CHAIRMAN. Do you solemnly swear that the evidence you shall give in the matter now in hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

TESTIMONY OF GEORGE M. DUNN, PRESIDENT-MANAGER, TOWN TALK BAKERY, ST. PETERSBURG, FLA.

TOWN TALK BAKERY, ST. PETERSBURG—ACQUISITION BY ARMY

The ACTING CHAIRMAN. I believe that bakery is or was under lease to the United States Army. If you have any statement to make about that, go ahead.

Mr. DUNN. I have a statement here in letter form—a sworn statement—and I think I can cover this better reading this and then I will be glad to answer questions.

Senator FERGUSON. Could you give us the substance of it and file the letter?

The ACTING CHAIRMAN. Yes; that will save time.

(The letter referred to was marked "Exhibit No. 958" and is included in the appendix on p. 9015.)

Mr. DUNN. At the outset I might say that my wife and myself are the sole owners of the Town Talk Bakery of St. Petersburg, Fla.

Senator FERGUSON. What is the substance of your complaint? The amount they paid you for it?

Mr. DUNN. Regarding the manner and method of lease and the manner and method of turning it back. That constitutes the reason I am here.

Upon Mr. Halley's suggestion, I have included in this letter, which is in the form of an affidavit, the profits of our property or business over a 5-year period, which average \$9,770.40 per year, or per 12 months' earnings. I might state that the Army was not solicited by anyone directly regarding this property. Major Deigner of the Army Air Training Force informed me, after making a survey of our property that he had visited the other properties at St. Petersburg and that we had the one bakery property that they wanted. He claimed they needed a bakery property for the purpose of establishing a bakers' school, and he told me he hated to take the Town Talk Bakery right out of circulation, so far as the people of St. Petersburg were concerned, but they needed the property and he wanted me to enter into negotiations with the Engineer Department.

The ACTING CHAIRMAN. That was a commercial bakery and they wanted to use it as a cooks and baker's school?

Mr. DUNN. It was a commercial wholesale bakery.

The ACTING CHAIRMAN. They were leasing it to use as a school?

Mr. DUNN. That's right.

The ACTING CHAIRMAN. Did it have a similar type of equipment to what is used in army bakeries?

Mr. DUNN. I don't know what type of facility is used in Army bakeries.

The ACTING CHAIRMAN. Did they use your equipment in there?

Mr. DUNN. Yes.

The ACTING CHAIRMAN. They used that for teaching purposes?

Mr. DUNN. That is what I was told by Major Deigner, and one of the things that influenced us to enter the negotiations immediately. It was on the basis of the fact that they needed this property for a bakery school, but to this date the property has never been used as a bakery school.

Senator FERGUSON. When did you lease it?

Mr. DUNN. As of July 15, 1942.

Senator FERGUSON. When did they turn it back?

Mr. DUNN. As of August 30, 1943.

Senator FERGUSON. In other words, they held it 13 months and never used it?

Mr. DUNN. They used it all of that time—those 13 months—but not as a bakers' school.

Senator FERGUSON. What did they use it for?

Mr. DUNN. They put in a crew of bakers and made pie, cookies, and some dark breads for the messes at the various hotels in St. Petersburg.

Senator FERGUSON. What difference did that make to you whether they used it as a school or to supply their own people?

Mr. DUNN. This fact: that there were bakeries, including our own in St. Petersburg, who could have supplied them with all the requirements they needed.

Senator FERGUSON. You mean the fact that the Government took it over and operated it rather than having private industry operate it? That wouldn't affect you any more than any other citizen.

Mr. DUNN. No, only that it did influence us in our decision in leasing the property. They claimed they needed the property for that particular purpose and it was with that understanding that we entered into negotiations with them. Of course, it didn't influence the leasing or anything, other than the fact that they said they needed it for that purpose and then they didn't use it for that purpose.

Senator FERGUSON. And how did you arrive at the rental?

Mr. DUNN. They told us. Well, first of all, I entered into negotiations with Mr. Spooner, who was the civilian representing the then Major Fitch, and Mr. Spooner, I asked him what they would consider. Who was to take care of the outside and the inside upkeep, and whether the insurance and the taxes would be paid by the Government or by us, and such things as that, and whether or not they would consider anything, because of the fact that it was a going business, and that we had to abandon our established business, and had to abandon our established organization, if they took the business over, and he told me that the business would be leased only on the basis of property values; that none of these other things could be taken into consideration. So we then arrived at a figure that would cover our carrying charges, and asked for \$6,500 a year, and it was to be understood it was on a yearly basis. They wanted a yearly figure. So Major Fitch, as I understood it, was in Miami here at the time, and Mr. Spooner got in touch with Major Fitch, called me in a couple of days and told me that the Army figure was between \$4,000 and \$5,000. When he called me at the office he took a scratch pad and wrote down and said: "There's what Major Fitch says it will be," and it was somewhere between \$4,000 and \$5,000, and I told him it was not satisfactory; that our carrying charges were more than that. The last full year we operated, our depreciation and taxes and insurance ran between \$5,700 and \$5,800, and I told him that we should at least get as much as our carrying charges, so I told him that I was not going to be branded as unpatriotic by turning it down, and I wasn't going to accept it at that figure, and I made the offer of employing someone from the American Appraisal Co., or some other appraisal, and I would pay for them to make an appraisal of the property, and we would stand on whatever their decision was. If they found our figures for valuation too high, that would be the decision.

Senator FERGUSON. What percentage was it to be on the valuation?

Mr. DUNN. I don't know. They didn't tell me that. I told him that if the appraiser's figure were higher, all right; if they were lower, all right; but I feel we were very conservative in arriving at a lease figure, and they said they wouldn't permit me to do that, but in a few days they did employ a local appraiser, Mr. John Donohoe, and he came to the bakery and made an appraisal of the property. A few days later they came to the office and made me an offer of \$6,200, which was slightly above our carrying charges, and under the circumstances we accepted it.

Senator FERGUSON. What is the complaint in that?

Mr. DUNN. The only complaint is that we don't feel we got anything for the operation of the bakery.

Senator FERGUSON. But you did this voluntarily; didn't you?

Mr. DUNN. Yes; we did this voluntarily, but, as one of the other witnesses said, it was under duress.

Senator FERGUSON. How was that under duress?

Mr. DUNN. We realized that if we refused, if the hotels in St. Petersburg voluntarily leased their property to the Government and we held out—

Senator FERGUSON. You were afraid of public opinion?

Mr. DUNN. That's it, exactly; and we knew public opinion would be very unfavorable if it appeared that the Town Talk Bakery was standing in the way of the war effort.

Senator FERGUSON. But you can't now complain about the Army, can you, because you were influenced by public opinion? You felt that if you did not do that the hotels might not get their customers and the town would be affected, and the chamber of commerce and other groups might be against you.

Mr. DUNN. That's the reason we signed up for that figure. It was considerably less than what the property had been earning, and it meant destroying, or abandoning, our advertised brand of product.

Senator FERGUSON. When they turned it back—they kept it a year—did they notify you a month ahead that they would give it back to you?

Mr. DUNN. Yes, sir.

Senator FERGUSON. So you knew in a year; there was no complaint on that?

Mr. DUNN. That's right.

Senator FERGUSON. The full year was up?

Mr. DUNN. Yes.

The ACTING CHAIRMAN. How long had you been operating under the trade name of Town Talk Bakery?

Mr. DUNN. Seven, going on 8 years.

The ACTING CHAIRMAN. Don't you think the biggest damage was taking your product off the market for 12 months?

Mr. DUNN. Yes; the biggest damage was abandoning our organization and abandoning that at a time when all bakers are working. It is an essential industry, and all bakers are subject to the War Manpower Commission and frozen on their jobs. The property was given back the last of August, and we haven't been able to get an organization together.

The ACTING CHAIRMAN. Your building is on your hands and you can't use it now?

Mr. DUNN. That's it exactly.

Senator FERGUSON. Are you using it at all?

Mr. DUNN. Not at all. I have a complete modern bakery, and I can't get an organization together. We had 26 trained employees when we closed up, and they all went to work at other bakeries. I tried through Standard Brands, Pillsbury's, and a number of other organizations to locate the nucleus of an organization, and they are not to be had.

Senator FERGUSON. Was it returned to you in as good condition as when you turned it over?

Mr. DUNN. No, sir; it was not.

Senator FERGUSON. Did you have an adjustment on that?

Mr. DUNN. In this way: One of the post engineers and a civilian estimator and a contractor whom I employed, and myself, the four of

us went through and made an estimate of the damages to the building. The way they went about it—that was just the building. The way they went about it was different from the way that they arrived at their damages in the hotels. Each of these two estimators would come to a certain thing—a window that is broken, for example. Say it's 6 by 8 and it's worth \$8, and they would arrive at that and both would put it down, and when they finished, their total was \$725 and some odd cents. Major Fitch offered me \$800 in settlement in full if I would sign a release and I told him that their estimator arrived at \$725 for the building alone and \$75 wouldn't touch putting the machinery and equipment back into condition, and I told him, I said, "If you want to, you go ahead and do the restoration yourself." They sent a crew out there and worked for several days and then they called me in and asked me to come down and get the keys and take possession of the property, so I went down to see them and told them that before accepting the keys I wanted to go out and check over and see what restoration had been done. We went through the plant and they hadn't done over a third of the things that were necessary to put them back in condition; so I refused to accept it.

That happened once or twice after that. They would say, "All right, when you are ready to sign off, come down and get the keys." We'd look at the bakery and they would not have finished the restoration, so finally Captain Brown of the Post Engineers told me that he was signing off as of September 3; that they were going to make no further repairs or no further restoration, and that he was sending me the keys by registered mail, and the notice that they were signing off as of that date.

Senator FERGUSON. Did they pay your rent up to that time?

Mr. DUNN. They haven't yet; they agreed to pay the rent up to September 3. I went through the bakery; there were some 9 or 10 items they hadn't touched—things just as essential for restoration as the things they had done.

Senator FERGUSON. What would that cost be?

Mr. DUNN. Approximately \$100. We quibbled about that back and forth until after Major Fitch left St. Petersburg. We have not signed a release.

Senator FERGUSON. Have you put that machinery back into condition?

Mr. DUNN. They did some of the painting and some of the restoring and since that time I have done some of the restoring.

Senator FERGUSON. At a cost of how much?

Mr. DUNN. I haven't even made an estimate as to cost because I am not figuring on making any claim for the additional.

Senator FERGUSON. So you are really \$100 apart on that item?

Mr. DUNN. That's all; yes. The only thing is that the damage they did to the concrete floor has been such that it is going to take some six or seven hundred dollars to repair it.

Senator FERGUSON. How would they damage a concrete floor?

Mr. DUNN. By scrubbing it with scalding water and strong soap that they use and they washed the concrete away from the pebbles so the pebbles stand up like this [indicating] in quite a number of places on the floor. They had this repaired when we went to take possession of the property. They had this place repaired; it is about one-third of the entire surface of the back shop—with a black compo-

sition of some kind, and if you run over it with a machine with steel casters on it, and if you let it sit on it, the casters sink in.

Senator FERGUSON. So that is another claim of \$700 you have for that?

Mr. DUNN. I am willing to check that off. I am not making that claim. They finally said, "We will tear that floor off if that will be satisfactory." I said, "It won't be satisfactory, but all we want is a floor that we can use and that was something that we had in here when we turned the bakery over."

Senator FERGUSON. Have you ever taken up with the War Manpower Commission the matter of supplying you with men?

Mr. DUNN. No; I haven't.

Senator FERGUSON. They have the power, haven't they?

Mr. DUNN. I don't know.

Senator FERGUSON. You say they are all frozen and the War Manpower authorities could release them to you under the situation. Are there enough bakeries in St. Petersburg?

Mr. DUNN. There is a scarcity. Just prior to our leasing our property to the Army there was a wholesale bakery that went out of business.

Senator FERGUSON. So for the war effort, in feeding the people, your bakery should be necessary?

Mr. DUNN. It should be; very much so.

The ACTING CHAIRMAN. Is there anything further?

Mr. DUNN. There is one thing that will take about 2 minutes. Mr. Herbert Grant, who represents the Harry Playford interests, owners of the Empire Building, which is a six-story office building in St. Petersburg, was unable to come here today and asked me to put this affidavit and statement in the record. It has to do with the leasing and releasing of the Empire Office Building.

The ACTING CHAIRMAN. You may file that, then.

(The affidavit referred to was marked "Exhibit No. 959" and is included in the appendix on p. 9019.)

Senator FERGUSON. Has the building been released?

Mr. DUNN. It has been released; yes, sir.

Senator FERGUSON. What date was that?

Mr. DUNN. This says, "turned back to us on July 31, 1943."

Senator FERGUSON. Do you have any questions, Senator Pepper?

Senator PEPPER. Not at all; thank you.

The ACTING CHAIRMAN. Thank you very much, Mr. Dunn.

Mr. Meyer Cohen. Do you solemnly swear the evidence you are about to give in the matter now in hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. COHEN. Yes, sir.

TESTIMONY OF MEYER COHEN

TIDES HOTEL, MIAMI BEACH—ACQUISITION BY ARMY

Senator PEPPER. Mr. Cohen, you told me you had an embarrassing situation confronting you where you had an obligation maturing February 1, I believe, or some other date, against your hotel which is now being held by the armed forces, and your rentals are not going

to be enough to meet that obligation and you are fearful of losing it. You go ahead and tell your story to the committee.

Mr. COHEN. The Tides Hotel, located at 1220 Ocean Drive, is a 114-room hotel. The Government is paying me \$34,600 rental a year. Previous to that I leased the hotel for \$45,600. I happened to buy the hotel about 6 weeks before the Government took it.

(The document referred to was marked "Exhibit No. 960" and is included in the appendix on p. 9020.)

Senator FERGUSON. You have an underlying mortgage on it now?

Mr. COHEN. Yes, sir.

Senator FERGUSON. What size?

Mr. COHEN. I have four mortgages, I guess. The first one is \$90,000 and the second is \$30,000 and the third one is \$40,600.

Senator FERGUSON. What is the fourth one?

Mr. COHEN. It is just three, I guess.

Senator FERGUSON. You knew what the mortgages were when you leased it?

Mr. COHEN. Yes, sir.

Senator FERGUSON. And you knew what the payments were?

Mr. COHEN. Yes, sir.

Senator FERGUSON. What is your complaint against the Government?

Mr. COHEN. My complaint is more for protection, I guess. At the time I leased it I showed the committee my figures. I definitely couldn't come out at \$34,600.

Senator FERGUSON. What is the committee to whom you showed it?

Mr. COHEN. The citizens' committee.

The ACTING CHAIRMAN. Who composed the committee?

Mr. COHEN. I don't know a thing about that.

Senator FERGUSON. What are their names?

Mr. COHEN. Local real-estate men; and at the time I showed them my obligations and everything else, and I told them I couldn't come out on those figures, so one of the committee made a remark, "Well, it's not our fault you paid too much money for the hotel," or something to that effect. Last year I had an obligation due of \$10,000 and I had another business that I took the money from to meet the obligation, because naturally the \$34,000 the Government paid me didn't warrant to pay it off. It wasn't enough. This year I have another \$10,000 coming due.

Senator FERGUSON. On what mortgage?

Mr. COHEN. On the third mortgage.

Senator FERGUSON. How much are your taxes?

Mr. COHEN. About \$5,200.

Senator FERGUSON. What other expenses have you?

Mr. COHEN. All of my expenses amount to almost exactly what the Government pays.

Senator FERGUSON. And the \$10,000 is in excess of that?

Mr. COHEN. That's not including depreciation.

The ACTING CHAIRMAN. It does not include interest on your mortgages—the \$10,000?

Mr. COHEN. No.

Senator FERGUSON. What do you think the Government should do, since you signed this lease?

Mr. COHEN. Well, I think the Government might protect people that have these mortgages; that the mortgage holders should wait until something can be paid later.

Senator FERGUSON. You want some kind of a moratorium?

Mr. COHEN. Yes; plus I think the \$34,600 they are paying is not sufficient for the type of building.

Senator FERGUSON. Do you want the building back?

Mr. COHEN. I didn't come to ask for that. Getting the building back today wouldn't help my situation.

Senator FERGUSON. That would be worse?

Mr. COHEN. Yes, sir.

The ACTING CHAIRMAN. I wish you would tell us. You are hinting around about something. I want to get the real facts as to how you happened to lease the hotel.

Mr. COHEN. I signed a blanket option.

The ACTING CHAIRMAN. Who negotiated that?

Mr. COHEN. The citizens' committee, after I signed a blanket option for \$45,600.

The ACTING CHAIRMAN. You signed a blanket option of \$45,600?

Mr. COHEN. That's what I paid rent 6 weeks previous to buying it, for \$45,600, and I made an option that I would turn it over at the same rental that I paid.

The ACTING CHAIRMAN. Now then, they did not accept that proposal in the form of an option which you had granted, and instead you were talked to by the citizens' committee?

Mr. COHEN. That's right.

The ACTING CHAIRMAN. And they told you \$36,000?

Mr. COHEN. \$34,600 was the best they could do.

The ACTING CHAIRMAN. That was the citizens' committee?

Mr. COHEN. That's right.

The ACTING CHAIRMAN. That was not Major Fitch?

Mr. COHEN. I had nothing to do with any Army officer.

The ACTING CHAIRMAN. Couldn't you have renewed your old lease with your former tenant at \$45,600?

Mr. COHEN. No. I bought the building February 1st, and in April the Government took the hotel.

Mr. HALLEY. I think I can straighten it out. Prior to buying the building did you rent it and you paid rent to the previous owner?

The ACTING CHAIRMAN. You had been the operator on a lease?

Mr. COHEN. That's right.

The ACTING CHAIRMAN. And then you bought the building?

Mr. COHEN. That's right.

The ACTING CHAIRMAN. Couldn't you have operated it there yourself? In other words, instead of renting it to the Government, why didn't you operate it yourself?

Mr. COHEN. Because at that time the Government needed hotels.

The ACTING CHAIRMAN. What I cannot understand is that if you saw you could not come out on that deal, was there any additional reason why you signed?

Mr. COHEN. For the simple reason the Government needed hotels at that time and I forgot my personal loss.

Senator FERGUSON. They still need them.

Mr. COHEN. I am not complaining; I am not saying I want it back.

Senator FERGUSON. If the Government advanced you \$10,000 on your rent to take care of the obligation, would that help?

Mr. COHEN. No; because in 5 months I will owe somebody else.

The ACTING CHAIRMAN. That is postponing the inevitable.

Mr. COHEN. And then February 1, 1945, the two mortgages come due and I am losing the revenue of 2 years so far; naturally, I wouldn't be able to meet the other mortgages when they come due.

Senator PEPPER. Mr. Cohen, what you mean to say in substance is this: The taking of your hotel at a rental less than was a fair rental for it will amount, in substance, to probably the loss of your property; is that right?

Mr. COHEN. That's correct, sir.

The ACTING CHAIRMAN. You are getting \$34,600?

Mr. COHEN. That's right, sir.

Senator FERGUSON. But as I understand it, this was clear at the time.

Mr. COHEN. Yes.

The ACTING CHAIRMAN. If you had gotten \$34,600, that would have taken care of your \$10,000 payment, wouldn't it?

Mr. COHEN. Well, they took it in April 1941.

Senator FERGUSON. But in 1945 you would be in the same hot water?

Mr. COHEN. To begin with, when they took it, nobody knew how long they would keep it. We didn't look 3 years ahead. I mean I didn't come here to find fault, but—

Senator FERGUSON. Have you tried to adjust the matter with your mortgage holder?

Mr. COHEN. I went to the first mortgage people and explained the situation and asked them to take a smaller amortization, which they have refused.

Senator FERGUSON. What about your second mortgage?

Mr. COHEN. That's not due until next year.

Senator FERGUSON. How about the third? Can't you do business with them?

Mr. COHEN. I'm afraid not.

Senator PEPPER. Have you asked the Army if they can renegotiate the lease with you?

Mr. COHEN. I haven't talked with anybody.

Senator PEPPER. But others have made such an inquiry and have been advised that it was not within the power of the Army to renegotiate upward; that they had the authority only to renegotiate downward.

Mr. COHEN. All I ask is this: I don't know if there are any more cases like mine and whether something cannot be done with them and if something can be done with the people who hold the mortgages that they should allow you time, so that when the Government returns the hotels they should allow time to make up for the loss.

The ACTING CHAIRMAN. In other words, you would like to have the same arrangement. Do you have any further questions, Senator Pepper?

Senator PEPPER. Do you anticipate there will be any damage in your case, Mr. Cohen, for the hotel?

Mr. COHEN. Quite considerable damage, I imagine, because they rearranged everything. I understand they are feeding over 1,800 men a day in our dining rooms, and have reorganized everything, according to what they need. They rearranged everything in our dining rooms and kitchens and everything; put in heavy equipment and broken up floors, and put in sewers in the lobbies and everything. There was considerable reorganization adapted to the Army needs.

Senator PEPPER. There might be a power in the Army authorities who have this hotel under lease to anticipate the Army payment for damages so they might give him an advance.

The ACTING CHAIRMAN. Have you talked to them about that?

Mr. COHEN. No, sir.

The ACTING CHAIRMAN. My suggestion is that you talk to them promptly about that. We suggest that you talk to Colonel Knowles.

Mr. COHEN. Where will he be located?

The ACTING CHAIRMAN. He is right here.

We will recess now until Friday at 10 o'clock, when we will meet in the City Hall.

Senator PEPPER. Mr. Chairman, and members of the committee, it will not be possible for me to be here when the committee reconvenes on Friday. Before leaving, however, I do wish on behalf of the people of Miami Beach, Miami, and Florida to express most cordial thanks to the committee for coming here and so attentively hearing what the people had to say about the leasing by the Army of the hotels and apartment houses in this area.

The ACTING CHAIRMAN. Thank you, Senator Pepper.

(Whereupon, at 2:35 p. m., the committee recessed until 10 a. m., Friday, January 7, 1944.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

FRIDAY, JANUARY 7, 1944

UNITED STATES SENATE,
SPECIAL COMMITTEE INVESTIGATING
THE NATIONAL DEFENSE PROGRAM,
Miami Beach, Fla.

The committee met at 10:05 a. m., pursuant to adjournment on Wednesday, January 5, 1944, in the city hall, Miami Beach, Fla., Senator Harley M. Kilgore presiding.

Present: Senators Harley M. Kilgore (acting chairman) and Homer Ferguson.

Present also: Rudolph Halley, executive assistant to chief counsel; Brig. Gen. Frank E. Lowe, executive officer; Lt. Col. Miles H. Knowles, Office of the Under Secretary of War.

The ACTING CHAIRMAN. The committee will come to order.

Mr. Weil, do you solemnly swear the evidence you are about to give in the matter now in hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. WEIL. I do.

TESTIMONY OF BRUNO WEIL, FUTCH & WEIL, REALTORS, MIAMI BEACH, FLA.

COMPLAINTS OF MIAMI BEACH HOTEL OWNERS ASSOCIATION

The ACTING CHAIRMAN. For the benefit of the record, please state your name, occupation, and residence address.

Mr. WEIL. My name is Bruno Weil. I reside at 521 East Di Lido Island, Miami Beach. I am a hotel owner, and realtor. I am the present chairman of a committee for the Miami Beach Hotel Owners Association. This committee has been appointed the early part of 1943 to investigate the facts relating to many complaints which were voiced on the part of Miami Beach hotel owners with reference to their dealings and negotiations with the Army leasing hotels at Miami Beach.

Senator FERGUSON. Will you state now what were the conclusions of the complaints? How many had you?

Mr. WEIL. The final conclusion for these complaints was as follows—may I refer to the records I have?

Senator FERGUSON. Yes.

Mr. WEIL (reading):

First, that no uniform system was used by the Army for fixing rentals and no uniformity of rentals exists today. Second, that as a result of newspaper articles and radio broadcasts on March 23 through March 25, 1942, negotiations

for hotels here were conducted in a general atmosphere of confusion and possibly coercion. Third, that we have found that coercion was used in specific individual instances.

The ACTING CHAIRMAN. Just a minute. By whom was that coercion used?

Senator FERGUSON. Radio commentators and editors?

Mr. WEIL. No; by civilian employees of the Government negotiating these leases.

Senator FERGUSON. Mr. Weil, you said because of radio programs and newspaper articles. What did you have in mind when you said that?

Mr. WEIL. I had in mind the actual happening of March 23 and 24. I can perhaps explain it a little better if I am permitted to present in evidence these newspaper articles of which I have here photostatic copies, the first appearing on Monday morning, March 23, published by the Miami Herald. [Handing document to the acting chairman.] Later on that was followed by other newspapers in this area and compiled by us in the manner in which they appear in the rest of this evidence. [Handing documents to the acting chairman.]

I have not been able to, or rather we have not been able, although we have tried very hard, to obtain a transcript or copy of the radio broadcast made Monday afternoon, March 23.

The ACTING CHAIRMAN. Who made the broadcast?

Mr. WEIL. Over WQAM by a commentator by the name of Malone.

Senator FERGUSON. Do you claim he was an Army man?

Mr. WEIL. I do not claim he was an Army man. He is an employee of the radio station, WQAM, but nevertheless, in fact, this broadcast came over the air and apparently was listened to by the greater part of Dade County, or perhaps as far as this radio station will reach. The prime remark that Mr. Malone made over the radio was this: That on the basis of the Miami Herald's article, which I have presented, Mr. Malone claimed that the public in this area was pretty much wrought up over this situation and they insisted the names of those hotel owners who refused to cooperate, who had hiked their original figures, given to the Army for what they would be willing to lease the hotels, hiked by 100 or 200 percent, they should like to get their names so they can come over to the beach and take these hotels down stone by stone.

The ACTING CHAIRMAN. Mr. Weil, let me read you from what apparently appears to be the front page of the city edition of the Miami Daily News. The heading is, "Who Are They?" The story is short. I will read it:¹

Without naming names, the Army has charged "five or six" Miami Beach hotels with blocking the establishment of a vast replacement center, involving upward of 35,000 men.

This is a matter of tremendous importance to the people of Greater Miami. It is not too much to say that their economic future depends on it.

It is a situation that every civic-minded and patriotic American resents.

The entire community has been placed in a bad light by the action of "five or six" hotel men.

Who are they?

The public is entitled to know their names.

The Army officials know the names. They will be doing a public service if they reveal them. Then the stigma will not rest upon the 200 hotels which

¹ See Exhibit No. 973, appendix, p. 9058, at p. 9064.

have cooperated fully in the program. Nor will the selfishness of a handful of individuals blight the reputation of a whole community.

Let Miami and the Nation know who these "gouging few" are and let the results be a lesson for others who may be inclined to permit their selfishness and greed to get the better of them.

Was that about the substance, Mr. Weil?

Mr. WEIL. That was the sum and substance of the broadcast; yes, sir. In addition thereto—

Senator FERGUSON (interposing). Do you know whom they were referring to?

Mr. WEIL. Senator, we have made a very thorough investigation, as a committee, for over a period of 10 months, and prior to that time for an entire year, to determine who were these people. The newspapers finally did give us this information or this fact: That someone called them over the telephone and gave them this story; that they did not check the story but took for granted that this was so, and consequently published it. They stated to us that they would not be able to tell us who was the individual who phoned this information in, but it was someone in very high position at that time in Dade County, an individual who no longer is in Dade County; that they would get in contact with this man by telegraph and if he was agreeable that his name be given that they would disclose his name.

Well, the gentleman answered back that he is not agreeable that his name be disclosed.

Senator FERGUSON. Did he have any connection with the Government?

Mr. WEIL. Not with the United States Government in official capacity, but he might have had some connection with the civilian set-up of preparatory local defenses, or something on that order.

Senator FERGUSON. Do you know who the man was?

Mr. WEIL. I cannot definitely state that I know who he was. I have my idea who he was.

Senator FERGUSON. What I am trying to get personally now is, was this the Army's method of doing this or was it somebody else's? Did the Army use this method to get the hotels?

Mr. WEIL. I cannot make the positive statement that this was the Army's method, but I can make this statement: That a few days prior to the appearance of the Miami Herald article, there was a hotel owner by the name of Joseph Rose, part owner of the Royal Palm Hotel, from whom we have secured an affidavit, and according to this affidavit this Mr. Rose states that a Government-employed civilian negotiator—a civilian negotiator in the employ of the United States Government or the War Department—had told him approximately on March 19 or 20, in the course of his negotiations with this individual for his hotel, that these fellows over here better fall in line because if this situation does not righten itself right quickly where these men will accept what they are being offered, that in a few days there might be a publicity campaign which this area, and a particular group in Miami Beach, would very much regret.

Senator FERGUSON. Who is the officer that Rose was talking about?

Mr. WEIL. The gentleman was not an officer, but a civilian employee of the Government.

Senator FERGUSON. Who is he?

Mr. WEIL. John Frazure.

Senator FERGUSON. What was his capacity?

Mr. WEIL. At that time he was employed as a civilian employee, a civilian negotiator of the real-estate department of the War Department.

Senator FERGUSON. Frazure is supposed to have told Joseph Rose this story?

Mr. WEIL. Yes, sir.

Senator FERGUSON. Is Rose here now?

Mr. WEIL. I believe Mr. Rose is here, yes; Mr. Rose is in this room.

The ACTING CHAIRMAN. What I want to get back to is this: That apparently this write-up, this story here in the newspaper, a front-page story, states that there were only five or six hotels being charged with not having agreed, and apparently contracts had been entered into with 200 hotels up to that time.

Mr. WEIL. Senator, that is an erroneous impression.

The ACTING CHAIRMAN. It is not an impression; it is a factual statement in the paper. Is the paper misrepresenting?

Mr. WEIL. Then the newspaper has not been informed correctly and perhaps would only strengthen the remark I made before to the effect that they did not check statements before they printed them, because at that time, which was about March 23, there were not 200 leases made. I don't believe that they had spoken to perhaps more than 75 or 80 men, if that many. The Army came in here, to the best of my recollection, on February 18, 1942. They had only taken over five or six hotels and between February 18 and March 23, 1942, the date of this very unfavorable publicity, there was only a limited number of Army and civilian negotiators visiting the various hotels and speaking with owners in an effort to determine as to what they could do in the taking over of these hotels. As far as these five or six mentioned here are concerned, I would like to make this statement now: There were no such five or six, there wasn't even one. We have determined that.

Senator FERGUSON. Then you claim the fact was that there was no one trying to hold up the Government?

Mr. WEIL. There was no one trying to hold anyone up. The co-operation of hotel owners with the Government was indeed of very high order.

The ACTING CHAIRMAN. Mr. Weil, I was not trying to seek out any five or six hotels mentioned in this story. The point I was trying to get into this was if this paper correctly quotes the facts here, there could be only five or six complainants that complain that they were coerced, because apparently the coercion did not appear until after 200, they say here, had signed up, and I am just wondering who was doing the coercing, and whether or not it was actually the Army, or whether there was a pressure right here in Miami and Miami Beach by business interests within Miami Beach and Miami that were coercing their own hotel people, if there was coercion used. That is the story I am driving at. It appears to be indicated by this right here.

Mr. WEIL. All right, sir. May I for a moment see the article?

The ACTING CHAIRMAN. That was March 24, 1942, the Daily News, city edition, photostatic copy. It is boxed in on the middle of the page.

Senator FERGUSON. Is Mr. Spooner here?

Mr. MORRIS A. SPOONER. Yes, sir.

Senator FERGUSON. Will you state how many hotels, for the record, they had on March 22 or 24?

Mr. SPOONER. I cannot, sir; I was not employed by the Government at that time. We can furnish that later on.

Senator FERGUSON. You'd better take March 22, 23, and 24, 1942.

The ACTING CHAIRMAN. What time does the city edition come out?

Mr. WEIL. Sometime in the afternoon.

Senator FERGUSON. We were given a Miami Herald editorial of the 24th; that is a morning paper and it is somewhat to the same effect.

Mr. WEIL. Of course, Senators, what happened after March 23 is entirely different from what happened before March 23.

The ACTING CHAIRMAN. Was March 23 the date of the radio broadcast?

Mr. WEIL. March 23 was the date when the Miami Herald came out with the news first. That was the first public announcement of it, and the afternoon of the same day the radio broadcast was made to which I have referred.

Senator FERGUSON. Is this a fact, quoting the Herald's editorial:¹

The hotel operators agreed to a plan under which their properties were to be taken over as needed and they would be paid essentially a return equivalent to the interest on their deed, their taxes, and insurance, and a little more. Payment was not to exceed a maximum of \$10 per man per month, an average of three men were to be assigned to a room. The Government agreed to maintain the property, to return it in sound condition, and to use only basic furniture, and the mortgageholders generally agreed upon extension of principle payments as long as the interest was paid.

Do you know anything about whether that was a fact?

Mr. WEIL. I do know quite a bit about that.

Senator FERGUSON. Was the Government trying to deal through the association? Was there an association at that time?

Mr. WEIL. At that time they had what we used to call the Miami Beach Hotel Association, not to be confused with the Miami Beach Hotel Owners Association. The membership of the organization consisted of hotel managers, lessees, and some hotel owners. When it became apparent that the Army was moving into Miami Beach, and as these hotels were taken over, with managers losing their jobs, many of them enlisting in the services of the Government, and many others leaving the city at the time their hotels were taken over, the Miami Hotel Association was disbanded and has nothing to do whatsoever with the Miami Beach Hotel Owners Association. The Miami Beach Hotel Owners Association was formed——

Senator FERGUSON (interposing). But did the association that they had at that particular time function?

Mr. WEIL. It didn't function with regard to this.

Senator FERGUSON. Were you a member of it?

Mr. WEIL. At the time I was not a member any longer of that association. I was a member for many years, and one of its directors, but at that particular time I had resigned my membership.

The ACTING CHAIRMAN. In other words, that first association was what might be called a managerial association of operators as compared to the present association of strictly owners?

¹ See Exhibit No. 975, appendix, p. 9076, at p. 9081.

Mr. WEIL. Yes, sir.

Senator FERGUSON. Who was the president of the association actually operating at that time?

Mr. WEIL. The president of that association at that time was John Duff. Mr. Duff at the time was colessee with many other partners of the Cromwell Hotel at Miami Beach. He was president for a short time at the time of the Miami Beach Hotel Association and, of course, in that capacity, as it later developed, more or less made the headlines and the contacts with the Army officials, and so forth, and so on.

Senator FERGUSON. But he did act as the representative of the various hotel people?

Mr. WEIL. He did not act as an authorized representative of hotel owners. He may have acted as a representative of that association which consisted primarily of operators, managers, and a few hotel owners.

Senator FERGUSON. Wouldn't you class a lessee in the same position as the lessor? He has to get his rent and the basic rent is insured, in a way.

Mr. WEIL. I would not classify a lessee in the same category as the owner of the property.

Senator FERGUSON. The lessor could hold him for any deficiency?

Mr. WEIL. Only to the extent, perhaps, of the security put up or to the extent of the man's personal value, of his own financial stability, and usually people of considerable financial stability don't lease hotels. They buy them.

The ACTING CHAIRMAN. Let me call your attention to another story. Before I do that, how many people in this room, prior to noon on March 24, signed leases with the Army on hotels? Will you hold up your hands?

Senator FERGUSON. Will you give your names for the record? This is prior to noon on March 24, 1942.

Mr. HUMPAGE. F. I. Humpage. I represented the owners of the Boulevard Hotel.

Mr. KATZ. Samuel Katz, Plymouth Hotel.

Senator FERGUSON. You represented the Boulevard Hotel, Mr. Humpage?

Mr. HUMPAGE. Yes, sir.

Mr. HALLEY. Mr. Humpage, did you also represent a number of hotels which had not signed leases at that time?

Mr. HUMPAGE. I did, sir.

The ACTING CHAIRMAN. I would like to know who signed leases after the 24th. There seem to be 28 who had their hands up.

Senator FERGUSON. Put the name of the hotel, the day you did sign the lease, on the paper which will be passed around.

The ACTING CHAIRMAN. We will pass around a paper; please indicate your names and addresses. You might print them so that they will be legible.

(The list of individuals signing leases after March 24, 1942, was marked "Exhibit No. 961" and is included in the appendix on p. 9021.)

Mr. WEIL. In order to clarify the situation I might state this: That prior to March 23, 1942, and as early as February 18, 1942, the Army arrived at Miami Beach and occupied approximately five, six,

or seven hotels, among them the Boulevard, the Allen, the Plymouth, the Collins-Plaza, and a few others in the same locality, to take care of the first contingents of officer candidates. These first negotiations with the first five or six hotel owners apparently were very amicable, and also, it seems that the rentals paid were somewhat higher than those which were entered into after March 23, 1942. As to how much, if anything, for that matter, the Army personnel had to do with the bringing about of this very unfavorable and unfortunate publicity. of course, I cannot state, other than I have stated before that 3 or 4 days prior to the first appearance of this publicity a Government employee—civilian employee—who was a negotiator had made the remark to a Mr. Rose, owner or part owner of the Royal Palm Hotel, that unless these fellows began falling in line very quickly there would be some very unfavorable publicity, or something to that effect. We filed an affidavit by Mr. Rose, I believe, during the hearing last year. I may explain to you gentlemen that in Miami Beach we have a very peculiar situation. I refer to the first article of the Miami Herald and others to follow, wherein it is stated that certain hotel owners south of Twentieth Street¹—in other words, certain hotel owners in a certain area—are refusing to cooperate with the Government, have hiked their rates, and I should, as a matter of fact, like to call your attention to a cartoon which one of these newspapers placed. Here is one of them [indicating document]; here is another one [indicating document]. It shows the hotel man with a big chisel on his back, and particularly those hotel owners who owned property south of Twentieth Street.

I want to explain to you the significance of that particular situation.

Senator FERGUSON. That's the cartoon in the News. On the same page is the front-page editorial, "Who Are They?"² Is that correct?

Mr. WEIL. Yes.

Senator FERGUSON. And that is under a date line of March 24?

Mr. WEIL. That is right; March 24.

The ACTING CHAIRMAN. Go ahead.

Mr. WEIL. After the Miami Herald had published on the morning of March 23 this news, that we refused to cooperate over here and that certain hotel owners in certain localities refused to cooperate, a meeting was called that same afternoon at the Cromwell Hotel and approximately 300 Miami Beach hotel owners were present, out of a total of 325 or 330.

The ACTING CHAIRMAN. That was immediately following this?

Mr. WEIL. Immediately following this publicity. The meeting was presided over by one Bryan Hanks, at that time chairman of the Dade County Defense Council. Mr. Hanks, in his opening statement at this meeting and by the things he said during the meeting, reduced the opinion of this entire situation as follows: He said that when we started negotiating with a few hotels, such as the Peter Miller, the Fisher interests and Collins and others, we had no trouble whatsoever, but the minute we went south of Eighteenth Street—and while he didn't mention any names he might just as well have said the Goldbergs and the Cohens—then we started running into trouble. That is what south of Eighteenth Street generally means in Miami Beach. It

¹ Exhibit No. 973, appendix, pp. 9058-9059.

² Ibid, p. 9064.

is very plain and evident that what they were driving at—and you gentlemen can very readily realize that as far as any sectarian group is concerned, the particular group I am referring to also has sectarian responsibilities—

The ACTING CHAIRMAN (interposing). I get what you are driving at by your reference to the Goldbergs and the Cohens. You mean that south of Eighteenth Street the management was largely Jewish and north of Eighteenth Street the management was not. I did not get what you were driving at at first. I thought you meant someone named Goldberg and someone named Cohen owned most of the hotels.

Mr. WEIL. The greater percentage of hotels south of Twentieth Street in Miami Beach is in the hands of American citizens of Jewish faith. That is not the same case north of Eighteenth Street.

The ACTING CHAIRMAN. I am glad you used that expression. I like that expression much better.

Mr. WEIL. So you can readily see what effect this publicity had not only upon the people of that particular faith, but on all of Miami Beach, and especially so when Mr. Malone that same afternoon gets on the radio and insists that the names of these people must be made known so that "We can come over there and take their buildings down stone by stone."

Mr. HALLEY. Mr. Weil, do you make the contention that because a particular group, in order either to preserve or enhance its reputation, entered into a bargain, that bargain should be broken if the bargain was entered into freely and voluntarily?

Mr. WEIL. Will you repeat that?

Mr. HALLEY. My point is this: If a group of people—any group—enter into a bargain freely and voluntarily, assuming their motive is one to enhance or preserve their reputation, do you feel that that bargain is one that should later be broken?

Mr. WEIL. No, sir; a bargain should not be broken.

Mr. HALLEY. I would like to know whether you feel there are elements in the situation which make the deal one which was not entered into freely and voluntarily?

Mr. WEIL. Because of the situation created, the deals after March 23 were not entered into freely and voluntarily, as far as a man's mind and morale and general feeling were concerned.

Mr. HALLEY. Do you make the point that one of the contracting parties took advantage of a situation that existed?

Mr. WEIL. Yes, sir; I do make that point.

Mr. HALLEY. Beyond that point, though, you would not contend that where a man enters into an agreement in which he makes a poor bargain, no matter what his motive, he ought to back out of that agreement?

Mr. WEIL. No man should back out of any bargain or agreement he made, unless he was forced into it against his will, a situation such as I am now explaining.

Mr. HALLEY. I think you should elaborate on the circumstances and the reason you feel that these agreements were entered into against the will of any person.

Mr. WEIL. All right. To give you an outstanding example, after this meeting of March 23 at the Cromwell Hotel, there was a meeting called of somewhere between 30 and 40 hotel owners, American citi-

zens of Jewish faith, at the Sea Isle Hotel. At that meeting it was pointed out that we were finding ourselves indeed in a very precarious position, and that it was very likely possible that unless this situation could be stopped or gotten into hand perhaps there might be some violence and, therefore, one of the men present suggested and made a motion that the United States Government should be offered these 50 hotels at \$1 per year for the duration of the war, in order to prove that none of us had any such ideas or conducted ourselves as the newspapers had accused us of doing. Of course, that motion was downed simply for the reason that many of us there felt this: We know that we are willing to cooperate with the Government. We have thus expressed ourselves to Lieutenant Talley, the first representative of the War Department sent down here. That was expressed in two meetings on February 14 and 15. On those 2 days we had a rather representative group present at the meetings of hotel owners. We were called in and were asked how we felt about the Army coming to Miami Beach and using the housing facilities. Unanimously—100 percent—Lieutenant Talley was told by those present that we were not only welcoming the Army of the United States, but that if necessary we would vacate our hotels within 24 hours of all civilian guests. The majority of the hotels were filled at that time at high winter rates, so it was not a question that the money consideration came before the consideration of patriotic duty of an American citizen.

Mr. HALLEY. I understand that, but the point I am making is this: As a result of your patriotic feeling, you entered into a certain lease. Take your own situation. Your patriotic feeling may have been enhanced because of attacks made upon you by persons who may or may not have been authorized. Having entered into that lease because of your patriotic feelings, do you feel there are any additional circumstances that would warrant your backing out now because of change and because patriotism may not now be quite the same as it was?

Mr. WEIL. In my own particular case, and I believe it is the average case in Miami Beach, I have never changed my mind. I am not coming today as a matter of hindsight and saying I should have gotten more money. I have expressed myself before I signed the option and before I signed the lease that the amounts offered me are not sufficient for me to meet the necessary carrying charges, and that there would be nothing left for me at all to live on. I have said that I would get no return on my money. I was not looking for 6 percent or 10 percent or anything, but I was looking to Uncle Sam to see to it that as a result of this situation my two youngsters, my wife and myself, will not have to go begging, borrowing, or stealing, and I have not changed my mind.

Mr. HALLEY. Did you express yourself in that way when you signed the lease?

Mr. WEIL. I did express myself. As a matter of fact, I refused to sign the lease, and I was told that unless I would sign that lease I would not receive any rental payments.

Senator FERGUSON. Did they say they would take your property and not give you any payment?

Mr. WEIL. Senator, the Army moved into Miami Beach hotels under option.

SURFSIDE HOTEL, MIAMI BEACH—ACQUISITION BY ARMY

Senator FERGUSON. I am talking about your own particular hotel.

Mr. WEIL. The Army had already occupied the hotel in which I am interested.

Mr. HALLEY. But they had done that under option which you signed.

Mr. WEIL. Under an option which I signed.

Mr. HALLEY. Did the lease differ from the option in any way?

Mr. WEIL. The lease differed in many respects.

Mr. HALLEY. Will you enumerate them?

Mr. WEIL. The lease differed, in the first instance, in respect to the fact that it contained a 30-day cancelation clause at any time the Government might see fit to cancel that lease. Not only was I told, to begin with—I and all of us—that these leases are going to be yearly leases, but we were told that these leases may stay in effect for as long as 6 months after the cessation of hostilities.

Mr. HALLEY. Mr. Weil, one of the witnesses here on Wednesday, a witness from St. Petersburg, offered a copy of an option which he received and which did have the 30-day clause. In order to clarify the record, will you submit copy of your option, if you have it?

Mr. WEIL. Yes, sir. You see, when the Army moved into St. Petersburg, as all of us naturally will learn by experience, they had by that time learned by experience and consequently included that clause in the option.

Mr. HALLEY. Then it is your point that if the lease had been the same as the option you would have made no complaint?

Mr. WEIL. Oh, yes; I would have made a complaint. There were other conditions.

Mr. HALLEY. I say that if the lease were exactly as you had been led to believe it would be—

Mr. WEIL (interposing). If the lease had been that which we were given to understand and very plainly told we were to receive, I would have no complaint.

Mr. HALLEY. You refer to pressure as background, rather than something you feel in itself would violate or make your agreement ineffective.

Mr. WEIL. That's correct; yes, sir.

Senator FERGUSON. Has your lease been canceled?

Mr. WEIL. No, sir; my lease has not been canceled. I received a request for a renewal of lease approximately sometime during the month of May 1943. I signed this renewal of lease, however, with the reservation, as it so states here, that this renewal of lease is being signed subject to the attached letters of claims. Again, on May 29, 1943, I submitted in writing to the War Department, to the attention of Captain Holleman, the contracting officer at Atlanta, the sum and substance of my complaints and requested proper adjustment of those claims.

Senator FERGUSON. You will file that as part of your testimony?

Mr. WEIL. Yes, sir; I shall.

Mr. HALLEY. Have you the option?

Mr. WEIL. Yes, sir. The option here, of course, is not the original, because I don't possess the original, but it is an exact copy of the one that was made at the time we were presented with this option of lease.

I had taken it at that time to my office and had my secretary make an exact copy of it, and I present it for your inspection [handing document to the acting chairman].

The ACTING CHAIRMAN. I notice two blanks here. Were those filled in or were they left blank? In the option which you signed were those blank spaces there?

Mr. WEIL. This is an exact copy of what I signed.

The ACTING CHAIRMAN. Will you file this with your testimony?

Mr. WEIL. Yes, sir.

Mr. WEIL. I would also like to file a copy—at least I believe you requested me to do so—of the renewal of the lease and the letter attached thereto.

The ACTING CHAIRMAN. Have you a copy of the original lease that was executed pursuant to the option?

Mr. WEIL. I have my original lease with me. I did not bring a copy to be filed here because that is the only lease we have.

The ACTING CHAIRMAN. So as to get a complete documentary picture of this situation, I believe a copy of your lease is needed. Can you furnish us a copy?

Mr. WEIL. Yes, sir; I shall be glad to furnish it.¹

The ACTING CHAIRMAN. We do not want to take your original.

Mr. WEIL. When you speak of that, Senator, I would like also to call attention to this fact, and I was not the only one who made these requests. I know that the majority of the people made similar requests. We asked that the Real Estate Department here, prior to signing these leases, furnish us with copies of leases prior to the date we would have to sign them so that we should have an opportunity at least to look over what we were signing, and we were told that they were not available; that they could not be given out, but that we would be given time to read them at the time we would be called in to sign them. In our particular instance, which is just one of the average, we were called to sign this lease at the office of First Lieutenant Holleman, representing the Real Estate Department of the Army Air Corps. We were handed this lease in triplicate. There were four of us to read it, of course. I made protest at the time that this lease did not contain the provisions under which we agreed to lease this building, and I was told that unless I signed this lease I would not receive my money. Of course, at that time it was too late for me to make up my mind whether I should or should not sign. I signed it because the Army was already in there. I do not own the building free and clear, and while, of course, my financial condition is such that I did not have to worry about next week or half a year from now, still I had to look forward in the course of reasonable time to meet my amortization payments, interest and taxes, and so forth, and consequently we were forced to sign.

Senator FERGUSON. Was your original rental \$43,750?

Mr. WEIL. \$43,750 was the sum representing two pieces of property, one being the Surfside Hotel, a 125-room hotel, and the other being a piece of property adjoining to the north of the Surfside

¹ Data concerning the Surfside Hotel were subsequently furnished to the committee, marked "Exhibit No. 1075," and appears in the appendix on p. 9258.

Hotel, having a private residence on it. The Army later on termed it the Annex. We never had a name for it.

The ACTING CHAIRMAN. That is what is called here the Surfside and the Surfside Annex Hotel.

Mr. WEIL. For the Surfside it was \$36,500 and for the annex it was \$7,250.

Senator FERGUSON. As I understand it, your renewal of the lease does not change the rent, but it does ask that they take sheets, pillow cases, towels, bath mats, kitchen utensils, pots and pans, blankets, such articles becoming the property of the Government, and that the Government pay for those at the end of the lease or compensate for them. That is the only complaint you had in this renewal, is it not?

Mr. WEIL. You have the option, Senator; you don't have the renewal.

Senator FERGUSON. I thought you handed me the renewal.

Mr. WEIL. I'm sorry, sir, that was the option I was asked to hand in and this is the renewal. I wish to make a correction as a matter of record; that we are seeking in our renewal a proper adjustment of rent, not only for the new year but also for the year passed. We have contended from the very beginning that we were not receiving sufficient rent, not only at the Surfside. I am speaking now of my property as a general example of all, because they come under the same classification, practically. Our particular claim in the Surfside is an entirely different thing to which I should like to refer later, if I am permitted to continue with the general situation here.

The ACTING CHAIRMAN. Before we continue with the general situation, I want to ask you a few opinion questions. Looking over this newspaper publicity, I just want to inquire of you if that same situation does not frequently arise in ordinary commercial activities. For instance, is it not common for a commercial company to come to a city and by reason of holding one or two cities one against the other get a free site for a plant, free sidetracks, and things of that kind, from the chamber of commerce? Is not that rather common?

Mr. WEIL. Senator, that perhaps might be a practice more or less common.

The ACTING CHAIRMAN. I want to build that up here. In other words, it has become somewhat of a common commercial practice to play in dealing; in other words, to get concessions of a business nature by such practices. That is rather a common practice in the United States.

Mr. WEIL. That is possible.

The ACTING CHAIRMAN. Do we not find here some of the earmarks of that practice—and I am not defending the practice or anything else. But do we not find here some of the earmarks of that practice, that possibly one group, or three or four or five groups at Miami and Miami Beach were being played off against the hotel owners' group, and the press, radio, and various other things, to facilitate the closing of certain bargains? One group felt they could benefit a great deal by it, possibly, and they were putting pressure themselves through the press, through the radio, through the chamber of commerce. In other words, the pressure was really a local pressure. Are there not some of the earmarks here of that type of pressure? I am not condemning anybody. I am simply citing a statement of fact, looking at the psychology of this situation here.

Mr. WEIL. Senator, what you are setting forth deserves considerable consideration.

The ACTING CHAIRMAN. The reason I am saying that is that, in the first hearing, this situation started cropping up.

Mr. WEIL. But I say that as far as we were concerned, we hotel owners in Miami Beach were dealing with our Uncle Sam and not with our competitors in Miami, or with the press, or with anybody else.

The ACTING CHAIRMAN. I am not talking about that. I am talking about influence right within Miami Beach. Let's get back behind the veil. Wasn't it a fact that there was a knowledge there would be a pretty big pay roll of Army here? If they had thirty-five or forty thousand men, that money would be spent for merchandise, and so on.

Mr. WEIL. At that particular time, we did not understand there were to be thirty-five or forty thousand men here. We didn't know that until the newspapers came out. We didn't know it.

Senator FERGUSON. The cartoon has the soldier holding—

Mr. WEIL (interposing). We were told by Lieutenant Talley on February 14 and 15 that the present plans of the War Department would be to bring somewhere between 3,500 and 5,000 men into Miami Beach for officers' training—officer candidates.

The ACTING CHAIRMAN. Isn't there another angle also here? If I remember my news correctly, along in February and March, in fact later than that, we were getting a lot of sinkings off the coast here. I happened to be in the resort section of Maine that summer, and also was in the South. There were dim-outs, even threatened total black-outs; in fact, in certain sections there was so much oil on the beaches you couldn't swim because of the tankers being sunk.

Wouldn't the dim-out and black-out ruin the merchandising business and tourist trade in Miami?

Mr. WEIL. Strange to say, it didn't.

The ACTING CHAIRMAN. But the tourists were in here when it started. That fear was expressed to me in other parts of the country, as to the following season. Of course, in the North they were worried about the summer—their season was the summer season—that the following season they were going to have to close up shop, just about. Was there any of that?

Mr. WEIL. There was a general feeling, I believe, that the following season no one knew what might happen. Some contended it would be a big season and some contended there wouldn't be any business here at all.

Senator FERGUSON. That's a thing that was troubling their minds all over the Nation. The tourists associations had the same trouble. They have suffered from the question of gas rationing.

Mr. WEIL. After all, we are part of the United States here and our reactions as citizens of this country are the same as it would be in Maine or California or anywhere else.

Senator FERGUSON. Don't you think the fact that they were sinking ships right off this shore, that the people could see going down, had a lot to do with these articles here? The United States, the press, saw what was going on. We had to get an air force in a few months.

Mr. WEIL. That's right, we understood that.

Senator FERGUSON. They would have to go out and build buildings or take over these hotels. They decided it would be much better to take the hotels because they were here. Now the press saw this thing in a light, not having any interest, and they were very anxious that these hotels be used. Today the enemy is getting farther from our shores. Things look a little different. We are dealing now with a set of facts we didn't have then, but can we change contracts because public opinion changes? Isn't that what we have here today? It's a question of public opinion.

It was at a certain height, and I can see exactly, with citizens standing here in this building and looking out and seeing our soldiers die and our ships go down, that they saw a thing in one light. Today war is farther away for some people and therefore they see them in a little different light today.

Should we change contracts because public opinion changes? As I take it, the press and the radio, mediums of public opinion, were being used here as they were all over the Nation, and we might say that we have to praise the press because they did stimulate thought in America to get people to do what they thought was patriotic duty, that people should have done without that stimulation. But since the press and the radio stimulated that thought, can we now say that that was coercion? Can a contract be canceled because that was coercion? Suppose that gas rationing up in Michigan caused a property owner to sell his resort property; can he after gas rationing is off say, "I shouldn't have sold"?

The ACTING CHAIRMAN. In other words, Mr. Weil, if the black side of the picture had come true and the newspapers had not written these stories, would they not have been condemned for lack of foresight in their news columns, possibly, where there is now a feeling that coercion was being used? That's just the point. In other words, from the face of this evidence, it looks as though the charge is that the newspapers and radio were being used to coerce people, and we must turn our minds back to the situation as it existed at that time in order to get the correct viewpoint of the newspapers and radio commentators.

Mr. WEIL. The manner in which this newspaper publicity, as well as the radio broadcasts, was presented, setting up these factual differences, and so forth, wasn't necessary at all to arouse the cooperation and the proper spirit on the part of Miami Beach hotel owners to place their facilities at the Government's disposal, because long before the newspapers had any idea of pursuing this type of publicity, as early as February 14 and 15, 1942, when Lieutenant Talley first came down here and spoke to a very representative group of Miami Beach hotelmen, they answered 100 percent, "Lieutenant, we are ready to cooperate; we are ready to turn our buildings over day after tomorrow," after they had been told by Lieutenant Talley that the basis on which the Government intends to pay for the space is the basis of \$10 per month per man, and on the basis that no more men would be put into a room than the cubic footage contents of a room divided by 600 cubic feet.

Senator FERGUSON. Then, do I understand your complaint now is that they have put more people in your hotels than originally contemplated and, therefore, the wear and tear is greater?

Mr. WEIL. That is one of our main complaints, Senator.

Senator FERGUSON. Your lease provides for reasonable wear and tear, and your complaint goes to what should happen after they turned them back, that you should be compensated for damages over and above reasonable wear and tear of soldiers, counting three in a room, or whatever the cubic or square-foot contents would be.

Mr. WEIL. That is only one of the complaints and remedies we seek.

Senator FERGUSON. As I understand your statement here, when you renewed your lease, you did want your contract renegotiated.

Mr. WEIL. Yes, sir.

Senator FERGUSON. You claim the rental was not sufficient even for three men.

Mr. WEIL. That's correct.

Senator FERGUSON. But the editorial says \$10 per room per month for three men, and you state that that was a true fact, that that is what you were told.

Mr. WEIL. Yes, sir.

Senator FERGUSON. Then why should you get more than \$10?

Mr. WEIL. For the simple reason that they had six or eight people in my rooms.

Senator FERGUSON. That only goes for the repair. You see, we were at war, and if the Government found that six men were essential in a room to build up an air force to do what we have done, we can't say that the Government didn't use good judgment on building up that air force.

All right. Now should you have more rental for the six in a room, or should your room merely be put back in the condition that it would have been in if only three had used it?

Mr. WEIL. I should not receive more rental because they put 10 men in the room; I should receive the rental of \$10 per month per man. If they put in six, that's all well and good.

Senator FERGUSON. That goes to your damages in the end.

Mr. WEIL. I should be paid more in the end for the damages caused by the accelerated wear and tear caused by this additional occupancy.

Senator FERGUSON. That's a different thing.

Mr. WEIL. Yes, sir; but the situation is almost uniform over Miami Beach, that we are not receiving \$10 per man per month on an average of two to three men per room.

Senator FERGUSON. Then why did you sign the lease for less than \$10?

Mr. WEIL. I signed the lease for less than \$10 because of conditions created here that just simply made it impossible for me to follow my own good judgment and free will. There wasn't such a thing any more.

Senator FERGUSON. You signed it, then, because of public opinion.

Mr. WEIL. I did not necessarily sign it because of public opinion but because of what civilian negotiators employed by the Government told me, and Army officers as well.

Senator FERGUSON. What did they tell you? I am talking about the \$10 per room.

Mr. WEIL. All right, sir. At the time, gentlemen, there was a Captain Fitch in charge. I had occasion to visit him to discuss this matter of the Surfside Hotel, because as it happened I had the Surfside Hotel under a 10-year lease, leased in 1939 to an operator at a

rental of \$51,000 a year, with cash security up at \$51,000 guaranteeing that the tenant will perform all the conditions of that lease for a period of 10 years. The Army offered me \$36,000 instead.

Senator FERGUSON. Wait. Wait. How could you negotiate when some other man owned the lease for 10 years? Why didn't he negotiate?

Mr. WEIL. Because I was told they were not dealing with lessees, that they wanted to deal with the owners only. They didn't even want to talk to lessees. I had to talk to the lessee. I had to go to my lessee and see if I could make arrangements with him for my property.

The ACTING CHAIRMAN. Did you cancel his lease?

Mr. WEIL. No, I couldn't. No; I didn't want to cancel my lease because this man still had seven years to go, but I did finally make arrangements with my lessee to have the lease temporarily suspended while the Army would be in there. During which time he would, of course, pay no rent.

Senator FERGUSON. But he makes no profit.

Mr. WEIL. No; but I have to pay him interest on his security, which I didn't have to do before.

Senator FERGUSON. But you have his security.

Mr. WEIL. I have it; yes.

Senator FERGUSON. So in fact the lessee has lost everything by virtue of this.

Mr. WEIL. He has lost the profit temporarily, that is correct, yes, while the Army is in there. When I went to see Captain Fitch on this situation, he told me that if this rental isn't sufficient, that that will be entirely up to me as to what I want to do with my property, but he wants to call one thing to my attention, that with the Army spreading out over Miami Beach, as these various buildings are taken to the right and left of me, there will be a likelihood that the streets will be closed off, and they were even talking at that time of the possibility of closing the causeways to general traffic if that was required.

Now, facing that situation, I didn't have much time or much to think about as to what I wanted to do.

COMPLAINTS OF MIAMI BEACH HOTEL OWNERS ASSOCIATION

The ACTING CHAIRMAN. Let me ask you on that: Was closing the causeways to general traffic a training measure, a defense measure, or what kind of measure? In other words, you have a lot of private homes on the islands. Would that be closed to them?

Mr. WEIL. Of course, they never carried this measure out, but the idea was that if they would carry through that measure, home owners would be given passes; the same as passes were given simply to home owners who were, let us say, located along the ocean front where these ocean-front highways were closed at nights, and home owners would still be able to get to and from their homes by special passes.

The ACTING CHAIRMAN. I think you probably overlooked this. It was quite current along the coast in those areas a certain distance from the ocean to keep from silhouetting ships, because if you allowed free traffic, the people would drive with headlights, and it was highly dangerous to the ships going up and down the coast, and, in fact, caused a number of submarine sinkings.

Mr. WEIL. Yes.

The ACTING CHAIRMAN. Submarines would be guided by those lights. That was a defense measure that might have been talked about rather than as a coercive threat.

Mr. WEIL. Well, at that time, Senator, dim-out, or, rather, black-out, restrictions at the time these negotiations were going on were not in effect as stringently as they were later on. They were still driving around here with un-black-out headlights, if I may put it that way, and so forth. The restrictions only came to pass later on.

The ACTING CHAIRMAN. Rather, weren't they prophesying that those restrictions would come to pass?

Mr. WEIL. They were not prophesied by any of the Dade County civilian defense officials because they themselves didn't look that far ahead. Actually, no one knew how this situation would be handled.

The ACTING CHAIRMAN. But don't you think the Army rather anticipated that situation?

Mr. WEIL. I am certain of one thing, if I am permitted to state it that way, that the statements made by Colonel Fitch—Captain Fitch at that time—statements with regard to these original negotiations, had nothing to do whatsoever with the strategy of conducting the war or with defense measures to be taken along the coast, up and down. Now, Captain Fitch at that time—he is now a colonel—

Senator FERGUSON (interposing). Mr. Weil, do you contend, then, that Captain Fitch deliberately told you this as a United States officer to get low rent for the Government, or did he state it because it was a matter of strategy that the Government would use in order to protect the ships out on the ocean and protect America?

Mr. WEIL. As far as I am concerned, the reaction I got at the time—and I think there will be hundreds to back that statement up—was that he did that deliberately to get that property as cheap as he could.

Senator FERGUSON. And not as a matter of trying to give the facts as they existed?

The ACTING CHAIRMAN. Not as a matter of warning and statement of possible strategic measures that might be taken?

Mr. WEIL. No, sir. I will make this statement, that the conduct of those negotiations, the manner in which the civilian negotiators, as well as Captain Fitch—and there were many other officers, but some of the other officers, like now Captain Holleman (Lieutenant Holleman then) and several others, didn't conduct themselves in that manner, they conducted themselves, if I may say so, properly and with dignity—was unfair and unjust and as far as Captain Fitch was concerned, the man was very smooth; he didn't use any abusive language or any threatening language. He was, indeed, very suave. I don't know how to put it, but he was very clever.

The ACTING CHAIRMAN. In Washington we have to use identification cards to get to our own offices.

Mr. WEIL. There was no question in my mind at all that the entire procedure, all the remarks made were intended to do only one thing, and that was to keep that rent down as low as possible. Now, it would have been as wrong as it could have been if the hotel owners had expected to receive rent anywhere near their former returns. All we wanted, Senator, was to be treated fairly. We are not speaking today, as I said before, by hindsight rather than foresight. We were told

by Lieutenant Talley on February 14 and 15 that the Government would deal with and treat us fairly. However, none of us expect to receive former profits or new buildings after the war is over.

The ACTING CHAIRMAN. You had no kick with Lieutenant Talley?

Mr. WEIL. We had no kick with Lieutenant Talley as far as our contacts with him are concerned, not as a negotiator, but as he himself put it, as a representative of the Chief of Staff of the Air Corps. Talley explained the thing thoroughly and courteously.

Senator FERGUSON. Before you signed or after you signed your lease?

Mr. WEIL. Before. Talley arrived in Miami Beach on approximately February 12 or 13. The first meetings called were on February 14 and 15.

Senator FERGUSON. Did he address whole groups of owners?

Mr. WEIL. Yes, sir. The meetings were conducted under the more or less chairmanship of this former Bryan Hanks, chairman of the Dade County Defense Council, and after Mr. Hanks made his opening remarks he turned the meeting over to Lieutenant Talley. Lieutenant Talley expressed the fact that he was here at the order of the War Department to further investigate the possibilities of using Miami Beach housing facilities; that from what he had seen, and from material submitted to them, it is apparent that this area offers to the Air Corps just exactly what they are seeking, and that he came here to tell us that the Government would not be interested to take over properties on the basis of condemnation proceedings, but they would like to come in here on the basis of amicable settlements and understandings.

Senator FERGUSON. Then we can draw this conclusion: That here was an Army officer telling you that the Army would come in if they could negotiate by agreement for the property, but if they were to come in and go through the regular channel of court procedure, and thereby pay what a jury or a judge may give, that they would not come in. Is that correct?

Mr. WEIL. What he meant by saying that they don't want to use condemnation proceedings, I don't know.

Senator FERGUSON. Under the law, that is what it would mean. That was a fair statement of fact.

Mr. WEIL. It was.

Senator FERGUSON. Everyone heard that at the meeting and knew it?

Mr. WEIL. Everyone heard that, Senator, and they also heard, by Lieutenant Talley, that the rental was to be based on \$10 per month per man.

Senator FERGUSON. That would be an easy matter for each owner to know whether or not in the future he was going to get it. If he didn't get it and signed his lease, then you claim he did it under coercion.

Mr. WEIL. Yes; I do.

Senator FERGUSON. Why? Where is the coercion on the part of the Government?

Mr. WEIL. For this reason: We were told we are now in a war emergency of considerable proportions—we knew that, of course—and that whatever statements were made prior, whether ten or fifteen dollars per man per month and various other statements made, disregarding Lieutenant Talley's first statement, that as far as rentals are concerned, no one except the Army is going to determine what they are going to pay on rent.

In order to clarify this remark I may say this, that as a result of this meeting of March 23 in the afternoon, a civilian coordinating committee was appointed in order to help straighten out the situation as complained about by the newspapers to the effect that the Army negotiators couldn't go much farther because hotel owners were unreasonable and didn't want to cooperate.

Senator FERGUSON. We get another fact then—we get a civilian organization to deal with the Army; is that right?

Mr. WEIL. All right; I would like to explain that.

Senator FERGUSON. Were you a member of that?

Mr. WEIL. I was not a member of that committee, but I was the one who made the motion in that meeting that afternoon that such a committee be appointed immediately and offer their cooperation to the Government officials in order to get the situation straightened out, such as represented by the newspapers.

Senator FERGUSON. What did the committee do? Was the committee representative of the people? Who formed the committee? Did the Government form it or the people?

Mr. WEIL. The committee was appointed by Bryan Hanks and John Duff and not by the Government.

Senator FERGUSON. Will you tell us what happened?

Mr. WEIL. Now, the committee met with Army officials.

Senator FERGUSON. Can you give us about the date the committee was formed?

Mr. WEIL. On March 23, 1942, in the afternoon.

Senator FERGUSON. All right.

Mr. WEIL. That committee consisted of Miami Beach bankers, real-estate appraisers, realtors, and a few hotel men, not many but a few. This committee proceeded to negotiate or talk things over, let me put it that way—confer with Army officials—at that time with Capain Fitch and others—and they arrived at the conclusion, with the consent of the Army, that a questionnaire should be sent out immediately to all of the hotels in Miami Beach listing full information as to number of rooms, dining facilities, other facilities; also stating fiscal facts such as taxes, insurance, mortgages, interest, and so forth—in other words, complete information. And they also had a question on that questionnaire, "How much do you expect the Government"—or something to that effect—"to pay for your building if leased?"

The Miami Beach police force, or some member thereof, were engaged to deliver those questionnaires as quickly as possible to each hotel, and that is where the 200-hotel thing comes in. Everyone, with very few exceptions, filled those questionnaires out at once and returned them within less than 24 hours to this committee. Then an appraisal board was set up.

Senator FERGUSON. That's where they get the 200 agreeable to cooperate?

Mr. WEIL. That's right.

Senator FERGUSON. And apparently five or six did not fill them in and return them.

Mr. WEIL. That has nothing to do with the five or six accused by the newspaper whatsoever. Five or six were accused on March 23, long before a committee was appointed or even thought of, long before anyone knew there was such a thing as trouble.

Senator FERGUSON. This was on the 24th?

Mr. WEIL. No, no; I beg your pardon; that was on the 23d. They just reprinted the original story in the Herald which I had here a little while ago, when the Herald came out—you will find it there. Even the Miami Beach Daily Tropics repeated the same thing, that there were the five or six. The Miami Beach Tropics was the only paper that made any effort at all to find out who those people were. The editor of that paper, Mr. John Montgomery, definitely went to the trouble of trying to find out who they were, and he couldn't find out either, and he really did try to find out.

Senator FERGUSON. Go ahead with your committee.

Mr. WEIL. It was finally established by testimony given by a Mr. Alfred Stone, who was a member of this committee. Mr. Alfred Stone appeared before the investigating committee of the Miami Beach Hotel Owners Association, and he made the statement that the Army had agreed, through Captain Fitch at that time, that this civilian coordinating committee, by properly qualified real-estate appraisers—and incidentally, they had the best one to be gotten, a Mr. Keefer, an outstanding appraiser in this community, who has over a period of many, many years been used by the United States Government in making appraisals of various kinds, he was the chief appraiser, assisted by others—make appraisals. They were told that they should make these appraisals, and that then on the basis of those appraisals, should figure a rental of approximately 13 to 14 percent.

That was done. Each hotel—I don't think there is a hotel today in Miami Beach for which there is not a file in the offices of the post engineer, on which you gentlemen will not find an appraisal with the original figures on them—every hotel was appraised. The amount was put down recommended by the civilian coordinating committee to be paid as a fair rental and when finally negotiations were made with the individual owners, the Army offered anywhere from 6 to 11 percent on these appraisal figures, only. In other words, they were underpaying the recommended rentals of this civilian coordinating committee at from 20 percent to as much as 40 percent, on the figures suggested, and when Captain Fitch was approached by the civilian coordinating committee, through Mr. Hanks, chairman of the defense council, and asked, "Why are you doing this? Why are you handling this thing this way? You agreed you would do such and such, and now you are cutting our own figures," Captain Fitch answered that his methods were a military secret and those are the figures and that's all there is to it. That's the story I got from Mr. Stone who served on that civilian coordinating committee.

There is another statement I got from the chairman of that committee.

The ACTING CHAIRMAN. Just a minute. To clarify the record, let me ask you this: You said from 6 to 11 percent.

Mr. WEIL. On the appraised figures.

The ACTING CHAIRMAN. That was upon the appraisal of the civilian committee?

Mr. WEIL. That's right.

The ACTING CHAIRMAN. How do you account for the difference between the return of 6 and 11? Was that based upon the cut in valuation made by Colonel Fitch? In other words, sometimes he would

cut more on some property than on other; as a result, the return on the property that was cut the most would probably go down to a 6-percent return on the appraisal figure, whereas another appraisal not cut so much according to his valuation would get as much as 11 percent.

Mr. WEIL. So I understand.

The ACTING CHAIRMAN. The cut value, in other words, the different valuations which he placed, meant a return based upon the civilian appraisal of from 6- to 11-percent return.

Mr. WEIL. That's right.

Senator FERGUSON. Did they use assessors?

Mr. WEIL. The appraisers used the figures of the county tax assessor.

Senator FERGUSON. The law of Florida requires that the figures on the county assessment shall be the true value, the real cash value, isn't that true?

Mr. WEIL. Senator, I am not prepared to answer that question on the basis of knowledge, but I will say this.

Senator FERGUSON. Does the law go further and require the owner to make a statement as to the value of his property so that the assessor has his own statement?

Mr. WEIL. No; the tax assessor of the State and county, located here in Dade County, have their own methods of making appraisal.

Senator FERGUSON. But the law requires them to make it at the true cash value.

Mr. WEIL. I don't know what the law requires them to make, but I do know they are set up somewhere between 80 and 90 percent of it. That I do know, because that is what the tax assessor personally told me.

Senator FERGUSON. Somewhere between 80 and 90 percent of its cash value?

Mr. WEIL. Of its value, actual value.

Senator FERGUSON. You understand the cash value to be the value to a purchaser ready, willing, and able to buy, but not compelled to, from a seller ready, willing, and able, but not compelled to sell.

Is there anything else you want to tell us?

Mr. WEIL. Yes, sir. We were trying to find out how the now Colonel Fitch, then Major Fitch—this was a few weeks after the captain had started and he was then promoted to a major—arrived at these figures. The only answer we could ever get was that it was a military secret, and here is the most significant thing of it all. This Mr. Duff, who was chairman of this civilian coordinating committee, who was very, very friendly with not only then Captain Fitch, but very close to General Wooten, came to a meeting here in January, and while we did not ask him for any expressions, he voluntarily stated that by reason of his former connections and close working with the Army and civilian coordinating committee, he wished to point out that from his knowledge, the hotel men of Miami Beach received the rawest and most inequitable deal.

Senator FERGUSON. Is he in Miami now?

Mr. WEIL. He is in this room. That was based upon what he claimed to know to be a fact, that the attitude—this is what Mr. Duff said—of practically every Air Corps officer down here toward hotel owners was one of disrespect, disregard, if not contempt.

Senator FERGUSON. If Mr. Duff is here, you don't have to give his statement. We will ask him, and then it won't be hearsay.

Mr. HALLEY. There are just two or three things I would like to ask you about, Mr. Weil. You mentioned that in the option there was no 30-day cancelation clause, whereas there was such a clause in the lease.

Mr. WEIL. Yes, sir.

Mr. HALLEY. Would the 30-day cancelation provision decrease the value of the lease?

Mr. WEIL. It would decrease it considerably.

Mr. HALLEY. And in a lease with a 30-day cancelation clause, would you in effect seek a much higher rate?

Mr. WEIL. Yes; I certainly would. As a matter of fact, Mr. Halley, there was a congressional investigation here in October of 1942, and I am making reference to this particular investigation.

Senator FERGUSON. Did they take testimony?

Mr. WEIL. Yes, sir.

Senator FERGUSON. Not in public hearings.

Mr. WEIL. Not in public hearings. I have House Report No. 2588, House Resolution 162, dated October 20, 1942, submitted by the Committee on Military Affairs of the House of Representatives. On pages 4 and 5, under the heading, "For the service command school for bakers and cooks"—I don't know why that came under this heading but it covers Miami Beach—it states:

The savings effected by the War Department in the outlay of leases are shown to average 24 percent less than the amounts paid for annual rentals by commercial interests for corresponding hotels, for which the amounts of annual rentals paid by commercial operators and the War Department are available. In this group of 27 hotels the annual rentals paid by the War Department for 25 hotels ranged from 5 percent to 37 percent less than the amounts of leases for commercial uses.

For example, a hotel which was leased to a commercial operator at the rate of \$17,625 a year has been taken over by the War Department for \$11,250 a year.

Now, that is a fact, and I may state here that runs true not only with hotels which were under lease, but also with all others. Where, for instance, the appraisers had arrived at a figure, and a fair figure, of \$17,000, Captain Fitch came back with an approximate offer of \$11,000, and said, "Either you take it or else."

Senator FERGUSON. Or else? Did he use that expression?

Mr. WEIL. No, he did not use that expression within my hearing, but to sum up many things he did say, you might say "or else."

Senator FERGUSON. You drew the conclusion?

Mr. WEIL. That is a conclusion. It states:

The War Department is paying annual rentals higher than the commercial leases for only 2 hotels in this group of 27 hotels. In those instances, however, it should be noted that the commercial leases were for a period of 10 years, whereas the War Department leases are for the duration of the emergency, with a 30-day cancelation clause.

I am reading this to answer your question, Mr. Halley. I want to say this, and I am bringing this only into the general picture and not so much to talk about the Surfside Hotel, but as it happens, at the Surfside Hotel in which I am interested, it was under a bona fide lease for 10 years, at \$51,000 per year, with \$51,000 cash security—

Senator FERGUSON (interposing). Is that lease in effect so it will be taken up?

Mr. WEIL. As soon as the Army vacates. I received only \$36,000 a year, and somebody else having 10-year leases receives more than his commercial leases, something I can't understand. I was asked last June to make a statement to the Miami Beach Hotel Owners' Association as to what I would really want for my property, and I made this statement in writing, referring to this particular situation here as just quoted: That I am not interested in receiving more than my commercial lessee paid, although others apparently did get more. All I am interested in is to get what my commercial lessee paid for it. That is all I asked for, and that is all these men are asking for—all of Miami Beach is asking, for one thing, to be treated fairly and not under conditions under which we were compelled to do things which, as a matter of fact, didn't give us the opportunity even to think any more. That's the corner we were pushed into.

Senator FERGUSON. In other words, we can boil that down to this: You are now asking in behalf of the owners that they get the same profits as they would if there were no war on.

Mr. WEIL. What was that?

Senator FERGUSON. As if there were no war on.

Mr. WEIL. Oh, no.

Senator FERGUSON. You are asking for the commercial lease value.

Mr. WEIL. No, no; I didn't. I didn't ask that these owners get the same rentals as—

Senator FERGUSON. As the commercial lease value.

Mr. WEIL. Oh, yes.

Senator FERGUSON. The commercial lease value would be the same as if there were no war on.

Mr. WEIL. Well, Senator—

Senator FERGUSON (interposing). Isn't that true?

Mr. WEIL. That is true, but on the other hand, your own committee, or rather a committee of the Government, a congressional committee, comes down here and pays for two hotels even more than that.

The ACTING CHAIRMAN. That wasn't the committee. They reported that much was paid. The committee didn't pay it.

Mr. WEIL. The committee reported that the Government is paying on two hotels more than the two hotels had received under commercial leases before the war was on.

Senator FERGUSON. Then you would say those two should be cut down and the others put up?

Mr. WEIL. I wouldn't say that at all.

Senator FERGUSON. Why not?

Mr. WEIL. Because apparently the justification for paying more is that these leases previously were for 10 years, whereas the Government was coming in on a 1 year's lease basis on a 30-day cancellation clause.

Senator FERGUSON. Then you should get more?

Mr. WEIL. Under those circumstances; yes, because if the Government chooses to move out before this war is over, and chooses to move out on the basis of a 30-day cancellation clause, it is only fair that they should pay more than a tenant who guarantees to stay 10 years and puts up a full year's security on it.

The ACTING CHAIRMAN. Let's look at the situation as it looked in March 1942. You had a 10-year lease on your hotel, \$51,000 a year, at that time. You had a 1-year guarantee, cash deposit. Had the con-

ditions continued along the coast, had we had black-outs and constant sinkings; as a matter of fact, had the sinking of tankers continued as at that time, there would have been no gas to go anywhere and very little fuel along the coast. Would you not then, as a good businessman, have found it necessary to lower your rental to your tenant? I know they are doing it in a lot of communities. About a year ago I was in a community where, although I had a long-time contract, I had to lower the rental in order to hold a good man in the place of business and keep him from going broke. I didn't want him to go broke because out of his business came the rental on the building, a commercial building.

Numerous owners have suffered from transportation shortages in communities and have had to lower rentals on contracts, as straight commercial propositions to take care of their tenants' demands, because a landlord must take care of his tenant. You probably would have had to do that.

Mr. WEIL. I believe here is what I would have done: I would have reduced my tenant's rental to a lower figure, with the understanding that when the time comes that he is making a greater profit than anticipated, that he will at that time catch up with the reduction I granted to him when he didn't do so well.

The ACTING CHAIRMAN. Let's get down to this. I don't know whether you know it or not, but the utilization of existing properties and facilities through the South, under the program which General Marshall initiated of utilizing hotels, speeded up the training program, particularly of the Air Force, by at least 6 months, and probably even more than that, because had we waited to build cantonments for training, it would have taken from 6 to 8 months to build cantonments. As a result of speeding up training of the Air Force, we whipped the submarine menace on the east coast as we could not otherwise have done, and our favorable condition here now, which is probably largely contributing benefit to business on the east coast, is attributable to this. Therefore, if we had not done this, we would have had a business situation in Florida that was bad—had we not been able to do this—so you have that one rosy thought there.

Mr. WEIL. Senator, I should like to answer that by stating that while this local condition which you pointed out might affect us locally, after all, we are still a part of the entire United States, and every American citizen from the very beginning of this war had but one hope, that it may come to an early successful conclusion; and if it was a question that the citizens of this community would be called upon to do their share to prevent anything that might happen on the California coast, I am sure you believe that we would be right on the spot to do it.

The ACTING CHAIRMAN. What I am getting at is this: That there is one factor you must take into consideration that this very condition that existed here probably had some features of negotiation, but had it not been for this moving in here, you probably would have had to lower those commercial rentals and had them down right now.

Mr. WEIL. We might have had to.

The ACTING CHAIRMAN. I am not arguing with you; I am telling you facts.

Mr. WEIL. I think you are right, Senator, but at least we would have had a chance later on to get it back again from the tenant as he was doing better business, a situation which we cannot expect as long as Uncle Sam is in here on a yearly basis with a 30-day cancelation clause.

The ACTING CHAIRMAN. I am not holding it out that we advocate that hotel owners in Miami Beach or Daytona Beach or any place should pay the freight on this training, but there is that one view, that the Army did have to get in here in a hurry, and the Navy had to do the same thing. That probably was the basic cause for this hurried negotiation. Had they had a little more time for negotiation, it probably would have worked out better.

Mr. WEIL. When you state that if they had had a little more time for negotiation it would have worked out better, you had the testimony given day before yesterday by the gentlemen from Daytona Beach and St. Petersburg, on properties which were taken over long after Miami Beach properties were taken over, when they had had their experience in Miami Beach, when there was no element of hurry and excitement, and so forth and so on. Those people, too, are registering their complaints of not having been dealt with properly and rightly, and dealt with as we as citizens of these United States can expect to be dealt with by our Government, because after all aren't we all part of this Government? Am I not one one-hundred-and-fifty-millionths of it?

The ACTING CHAIRMAN. I won't argue with you on that or disagree with you on that. I was just bringing out that one feature.

Mr. WEIL. You may rest assured, Senator, that we would not be sitting here had we gotten a half-way square deal, even if it wouldn't be 100 percent. We are not hollering "Murder" just because the submarines aren't around here any more. I have spent the better part of a year and a half in all sincerity with an open mind to—

The ACTING CHAIRMAN (interposing). I was telling you the situation that those fellows faced at that instant. They had orders to get in here, and the question of method seems to be the critical question.

Mr. WEIL. For a year and a half, Senator, I have been trying very thoroughly to investigate this situation, and have listened to hundreds of men, discounting as much of their stories as could possibly be discounted, 60 percent at least; but on the other hand, there are such facts, such definite facts and so outstanding that it deserves a very thorough investigation by your committee.

Senator FERGUSON. That's why we are here.

Mr. WEIL. That's right. I should like to present one more situation.

Mr. HALLEY. Before you get into another situation, you were asked about the difference between the option and the lease, and you said that besides that 30-day clause there were some further clauses in the lease which were not in the option and of which you had no knowledge until you received the lease. Now, will you state what they were, just briefly?

Mr. WEIL. If I am permitted to look at my lease. For instance, the question of what the Government will do in the return of these buildings, speaking of wear and tear. We were given to understand by Lieutenant Talley—and the reason I am referring to him is because he

was the first and only direct representative in uniform to tell us what this whole thing was going to be about. Lieutenant Talley made this statement, that it was the practice, and that he was certain of it, that these hotels would be returned in the same shape as they were being taken over, ordinary wear and tear excepted only.

When he made that statement—I forget now who replied, but I can find that out if necessary—one of the hotel owners stated, “Now, the term ‘ordinary wear and tear’ is a rather ambiguous term and leaves room for argument.”

Senator FERGUSON. Just a moment. Isn’t that a term under the law that we have had for a century? We have got along fairly well in ordinary business with it, haven’t we?

Mr. WEIL. We have; yes, sir.

Senator FERGUSON. I remember as a judge, I had no trouble using it.

Mr. WEIL. That’s correct, sir.

Senator FERGUSON. I mean in interpreting it.

Mr. WEIL. The term is all right, but here is what was pointed out. Now these soldiers coming in, men being trained, are tired out and they naturally will not go to these hotel rooms and treat the equipment with the reasonable care the guest would give it. These men are not expected to give it. As a matter of fact, I anticipated and I had told my partner at the time that one thing we have to get ready by the time these people are through with it are brand new mattresses. These men come up sweaty and tired and they flop on the beds without a shower, and consequently—

Mr. HALLEY (interposing). But what were you told when that point came up?

Mr. WEIL. Here’s what we were told: Lieutenant Talley said, “Now, these men coming in here are not of the general type of soldier. They are all specially picked men—men who will be officers in the United States Army, and men who know how to handle property, so that you don’t need to worry that they will burn up your rugs, and burn up the tops of dressers, and scar out the sides of beds, and so forth.”

Mr. HALLEY. To get to the lease, did the lease have a term which differed from what you were told at that time?

Mr. WEIL. I am looking for that right now. I don’t know whether my lease now has it, but I do know this, that I have seen dozens of leases, 70 or 80, where this term “ordinary wear and tear” was stricken out and in its place was “wear and tear to be considered as barracks use,” or something to that effect.

Oh, yes; I have told you of this cancellation clause, of course. It says in the lease, under paragraph 8 [reading]:¹

The Government shall have the right during the existence of this lease to make all arrangements, attach fixtures and erect additions, structures, or signs in or upon the premises hereby leased (provided all alterations, erections, or signs not be detrimental to or inconsistent with the rights of the owner), which fixtures, additions, or structures so placed in or upon or attached to the said premises shall be and remain the property of the Government and may be removed therefrom by the Government prior to the termination of this lease; and the Government, if required by the lessor, shall before the expiration of this lease or renewal thereof restore the premises to the same condition as that existing at the time of entering upon the same under this lease, reasonable wear and tear and damages by the elements or by circumstances over which the Government has no control excepted; provided, however, that if the lessor requires such restoration, the lessor shall give written notice thereof to the Government thirty days before the termination of lease.

¹ See appendix, p. 9234, for copy of a United States standard form lease.

Now, it is apparent that as far as my particular property is concerned, they did not take care of it. In my particular situation they took care of it in this manner, that by the time they finally gave us a condition report of the building, the building, as far as the Army was concerned, or the officers who took this report, was in such condition that they already worked into a damaged building.

Senator FERGUSON. How long after you leased the occupancy did you get that report of the building?

Mr. WEIL. On the elevators, we didn't get it until 8 to 9 months after. On the building itself, I believe it was 90 days after.

Senator FERGUSON. How long on the furniture?

Mr. WEIL. On the furniture, I think they took that before troops actually were put in. I believe my associate is here who can answer that question better. I believe the furniture itself was taken, for this reason, that the Army officer going through the premises designated which parts of the furniture to move and which to leave; and while they were doing that they were taking the inventory at the same time; but I have just been handed another, what seems to be another lease, and in this lease—

The ACTING CHAIRMAN (interposing). Who were the parties to the lease?

Mr. WEIL. The lessor is the Arnold Hotel at 8751 Collins Avenue, at Miami Beach. The date of this lease is December 26, 1942, made between the United States of America—

Senator FERGUSON (interposing). You don't need to read that.

Mr. WEIL. All right, its owners. It was in December after they had had sufficient time, by past experience, to adjust their own affairs, too. Under heading "C," paragraph 6, it reads:

It is understood and agreed that if carpets and rugs are left in the hotel at the lessor's choice, the lessor hereby releases the Government from any responsibility therefor and waives all claims for restoration thereof. It is further understood and agreed that the use the Government makes of the furnishings as itemized on the attached inventory will be comparable to that of civilian hotel use and lessor waives all claims for restoration of said inventory furnishings, excepting where damage exceeds ordinary wear and tear and said damage is applicable to negligence, and the usage of the hotel as a barracks shall be considered ordinary wear and tear.

This is the new paragraph in these new leases which the Air Corps has been able to get out by September, or perhaps some little time before that, but in these previous leases they used some form of Government lease, United States Standard Form No. 2. I have seen many leases, and I think I will be able to get hold of some of them for you for the record if that is required, where this paragraph 8, which I have read under my lease, they have stricken out. They have deleted some of these conditions and replaced them by stating that wear and tear is to be considered barracks use—"as will result from barracks use."

It says on the back of this lease that this form is not supposed to be used on any rentals exceeding \$2,000 a year, and yet they are writing a \$43,000 lease on it.

The ACTING CHAIRMAN. You lease the hotel furnished, do you not?

Mr. WEIL. Yes, sir.

The ACTING CHAIRMAN. You had a regular standard lease there, and it included ordinary wear and tear?

Mr. WEIL. Ordinary wear and tear excepted.

The ACTING CHAIRMAN. He had the upkeep to pay in addition to his rental; is that right?

Mr. WEIL. That's right; to keep the building up in good repair; furnishings as well. And in connection with this question of wear and tear and rehabilitation, I wish to present to you a newspaper clipping of Saturday, May 8, 1943, taken from the Miami Beach Tropics, under a heading "Hotel's Furniture in Better Shape Than Ever. Army Keeps All Furnishings in Repair," and so forth. And in this article, which I shall present to you in a moment, they go on to say that some of this wear and tear is caused by our tropical climatic conditions. In other words, at that time—this was prior to the time we made any attempt to get a hearing, the Army and Civilian negotiators were pursuing and getting ready already for the same type of tactics which were employed in getting the leases in relinquishing the properties. They claim in here—

Senator FERGUSON (interposing). You charge the Army now with deliberately going out to cancel the leases and defraud the hotel owners by that statement; is that true?

Mr. WEIL. I am not claiming that, Senator. I am claiming that they were planning at that time—and this article will prove it if you will read it—to get ready to follow the same type of methods in the settlements for rehabilitation to come as they were following and adhering to when they made the leases.

When you speak of the Army, Senator, I wish to make one thing clear, that there isn't a single hotel owner at Miami Beach who has ever believed other than this: That as far as the War Department and its officers are concerned in Washington, D. C., or any other Government official in Washington, D. C., those men up there had nothing to do with this situation.

Senator FERGUSON. We always hold the superior responsible.

Mr. WEIL. We are complaining to the superior. We are placing the responsibility on the men who committed these acts.

Senator FERGUSON. But you think the War Department is responsible?

Mr. WEIL. Yes, but I did not say, and I want to make clear that as far as we are concerned down here, we have always felt that if the officers in Washington, the superior officers to these men here, had known, if they had been present, if it would have been possible for them just from behind the curtains to watch some of these negotiations and things being said, and so forth, and the way it was done, they would not have given their approval, we feel sure of that, so that when you say I am accusing the Army—

Senator FERGUSON (interposing). I am asking you if you are.

Mr. WEIL. I am not accusing the Army, Senator.

Senator FERGUSON. We have to find out what your claims are.

Mr. WEIL. We claim, not only by this newspaper article, of course, because we have investigated further than that, that these fellows over here were getting ready, in the engineers department and the real estate department and the real estate project department, to let us have it again when the time comes when they move out.

The ACTING CHAIRMAN. You believe that article was conspired by them?

Mr. WEIL. To show and get the people ready to believe that the Miami Beach hotels and the furniture were in better shape than ever.

Now they give you figures in there where they say, for instance, that they have a very limited number of men, repair men (the Army has), in their repair department, and they were taking care of all these hotel rooms, and also 3,500 trucks in Miami Beach. I think they have a total of 85 men, Senator, and can you possibly imagine that if these men worked continually and without sleeping for 24 hours a day for the duration of this war, that they could possibly keep 240 hotels and all the furniture in them in good repair and condition, and also take care of all the canvas coverings of all these trucks of which they have hundreds down there, and keep them in better shape than they ever were before? I can't. That is a physical impossibility, and they give these figures here.

Incidentally, Senator, if I may call your attention to this question of anticipated wear and tear on the part of the Government itself, I should like to refer to House Report No. 132, House Resolution No. 130, interim report made by the Committee on Military Affairs of the House of Representatives, dated February 17, 1943. On page 8, this committee reports on the Greenbrier Hotel, at White Sulphur Springs, W. Va., and the Stevens Hotel in Chicago, Ill. It is here stated, as you perhaps know that the Greenbrier and also the other hotel were condemned and were purchased by the Government.

The Greenbrier Hotel has 700 rooms. A petition in condemnation was filed in 1942 in order to obtain immediate possession. Subsequently, negotiations were culminated and an agreed purchase price of \$3,300,000 was paid. The War Department appraisal by independent experts indicated that the property had a fair market value of \$3,500,000. The hotel company has expended more than \$6,000,000 on the property since 1934, and it was given a book value of \$6,251,907. The estimated reproduction cost amounts to \$6,984,101.

Now, here is what I am referring to, and this is what the Military Affairs Committee says:

It was considered advisable to purchase this establishment rather than to lease it because, as hereto before observed, the War Department intends to make it a permanent installation, and for the additional reason that the cost of converting a hotel to a hospital is relatively great, owing to expensive special equipment which must be installed. Moreover, restoration of such a facility upon the termination of its use as a hospital under long-term lease would be excessive.

Further it says:

In addition to excessive restoration costs which would be involved in any rental of the property, the owners of the hotel would undoubtedly ask the court to include in the rental price compensation for the loss of patronage and good will, which would be almost, if not entirely, lost by the end of the Army occupancy.

Now, that is what the Military Affairs Committee speaks of. They say that there is a considerable loss of good will, and so forth.

We hotel owners in Miami Beach, while we have always realized that there will be a considerable loss of good will in our business, never had any thought in our minds, nor do we now, to have that taken into consideration at all. We are merely asking for a fair rental.

If you will permit me, I should like to sum this up with recommendations that are the answers to the conclusions first given [reading]:

That it is hoped that the Government will correct these errors and inequities which have happened because of the haste and the hurry and the emergency of the time existing, and make provisions to avoid such mistakes in the future, specifically as follows: That the proper governmental authorities make the necessary provision to give any hotel owner who desires to, the right to apply for a renegotiation of his lease to a fairer basis.

They are not all in that position. There are many of them who are perfectly satisfied. We don't say all of them were treated that way, but many were. [Continuing to read from H. Rept. No. 132]:

Second, that the Government will cause the proper authorities to arrange for the return of any hotel to the owner in the same condition as it was when taken over by the Army, only reasonable wear and tear excepted, and that a fair method be established for the payment of such damages over and above the ordinary wear and tear as a result of this Army occupation; and that such settlements shall be made as quickly as, for instance, an insurance company would settle a hurricane loss.

Third, that, if possible, the proper Government authorities issue a statement through our local newspapers so that the false and erroneous impressions created in the minds of the public of Dade County caused by these newspaper stories and presented here, and the radio broadcasts referred to, shall be corrected.

Ladies and gentlemen, in connection with this particular request I want to say that there are thousands and tens of thousands of Dade County residents who still believe these stories and still point their fingers at many of us over here, even to this day.

Fourth, that the Government cause the proper authorities to make the necessary arrangement for proper and equitable timing in the payment of rentals in the return of any hotel which will be returned after January 15 or before October 1 of any year.

Senator FERGUSON. Mr. Weil, I am going to read to you a part of the Miami Daily News, March 23, 1942 (it's a quote from you) and ask you for comment:

Climax of the meeting came when Bruno Weil, owner of the Belmar Hotel, charged hotels failed to live up to their original agreements on leasing the properties. He said they have adopted this attitude with the hope that Government money may pay off their incumbencies. The three mentioned were charged with being among the five or six involved.

"They are individuals who in the next 6 months will drown anyway," Weil said "They hoped Government money would save them."

That's the end of your quote.

At the conclusion of Weil's statement all persons present in the hall declared that the attitude of the offending hotels does not represent the sentiment and the willingness to cooperate on the part of some 300 other Miami Beach hotels.

(The newspaper article referred to was marked "Exhibit No. 962" and is included in the appendix on p. 9022.)

Senator FERGUSON. You used that statement, "They hoped Government money would save them," and that they would have drowned in the next 6 months.

Mr. WEIL. Senator, the quotation, the entire quotation, is a misstatement. I distinctly remember what I said. After Bryan Hanks, who acted as the chairman of this meeting, got through with his opening speech, where he accused, following up the newspapers, the fellows south of Twentieth Street, after making it clear that certain interests north of Twentieth had given no trouble, the moment the man had closed his mouth, I was on my feet, and I said that if—that if—there were any such hotels at Miami Beach, such few as the newspaper claims there are, that that does not represent the sentiment of 325 of them, but that the other 320, I am sure, are ready to cooperate. And I did not make any reference to any particular hotel drowning, but I did say this to Lieutenant Talley at the very first meeting when Lieutenant Talley was here—and there was a whole group of us sitting in a circle after Lieutenant Talley got through

when each one of us was asked questions as to what we thought—I said:

Lieutenant, don't you believe that the best and quickest method in order to avoid trouble would be for a committee to be appointed so that we may get up a complete list of hotels, all of the details, because I can tell you that there are several hotels in Miami Beach which are so badly overfinanced—and that is the fact, one, two, three, and four mortgages and some, in addition to the mortgages, their furniture being mortgaged.

I said:

You will run into situations where owners will be unable to deal with you for that very reason, and I am afraid that complications and harsh words will exchange, and in order to avoid that, I suggest this committee be appointed.

Lieutenant Talley said:

That is a very good idea, but, Mr. Weil, we don't have sufficient time. We have got to work fast.

Now, the man knew what he was talking about, because on February 18, just a few days after this meeting, the Army Air Corps moved its first officer candidates in. Coming back to this other meeting on March 23—when I got up on my feet and stated that “if”—I didn't say there was, because I didn't know; frankly I didn't believe it, but after all, we are all humans and for all I know there might have been some men who did the things the newspaper claimed they did, but we could never find one of them.

The newspapers claimed they published the stories by someone that phoned in, and while they should have checked them, in their excitement they didn't check them either. I did say that if—

Senator FERGUSON (interposing). When did you get that information?

Mr. WEIL. What information?

Senator FERGUSON. About the newspapers having quoted someone.

Mr. WEIL. That information was finally compiled sometime during April or May of this year.

Senator FERGUSON. Whom did you talk with on the newspapers about that?

Mr. WEIL. I, personally, didn't talk with anyone on the newspapers, but one of the members on the committee.

Senator FERGUSON. Your statement here is hearsay, then.

Mr. WEIL. It was not hearsay, because I was present at the time these conversations happened with the newspapers.

Senator FERGUSON. It was made in your presence?

Mr. WEIL. I was on the extension telephone.

Senator FERGUSON. From whom at the newspaper did you get this information?

Mr. WEIL. Down at the Miami Herald, information was given by Mr. Pennekamp. The other newspapers wouldn't commit themselves, except the Daily Tropics. Mr. John Montgomery stated that fact to me.

Senator FERGUSON. No one told you who the man was that telephoned?

Mr. WEIL. They would not commit themselves.

Senator FERGUSON. Did they say they know who it was?

Mr. WEIL. The Miami Herald said to one of the members of this committee, Mr. N. B. T. Roney, yes, they could trace the original of that telephone call, but before they could disclose this gentleman's name,

they would have to get in touch with him and get his permission first, and inasmuch as he was out of the city, they would telegraph him. According to their statement, they did telegraph him and received the reply that this gentleman was unwilling to have his name disclosed in connection with this matter.

Senator FERGUSON. You haven't any personal knowledge as to who the gentleman was who gave the information?

Mr. WEIL. I have no personal knowledge, but I have a halfway good idea, but no knowledge.

Senator FERGUSON. That is all.

The ACTING CHAIRMAN. Might I suggest that there is a typewritten copy of the conversation with Mr. Talley and the hotel group, of these two sessions here with the preliminary hotel group, and the Army has that stenographic copy in its possession.

Senator FERGUSON. That should give Mr. Weil's quotation.

Mr. WARD. I believe, if you request the Army to give you that, that was taken down in stenographic note form.

Senator FERGUSON. That is all, Mr. Weil. Thank you.

The ACTING CHAIRMAN. Is Mr. Duff here?

In the interests of getting the hearings completed, we will have a night session here tonight, beginning at 7:30, in the same room. When we adjourn this afternoon, we will adjourn until tonight.

Do you solemnly swear the evidence you give in the matter now in hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. DUFF. I do.

Mr. STONE. I do.

The ACTING CHAIRMAN. Will you give your full names, occupations, and addresses to the reporter for the benefit of the record?

TESTIMONY OF JOHN M. DUFF, JR., AND ALFRED STONE

Mr. DUFF. John M. Duff, Jr.

Mr. STONE. Alfred Stone.

The ACTING CHAIRMAN. Address?

Mr. DUFF. My business address is Green Heron Hotel, North Miami Beach.

The ACTING CHAIRMAN. What is your business in the hotel?

Mr. DUFF. I am the lessee and operator of the hotel.

The ACTING CHAIRMAN. You are the lessee and operator. And Mr. Stone?

Mr. STONE. I am president of the 800 Washington Avenue Co., which operates the Blackstone Hotel.

(The document referred to was marked "Exhibit No. 963" and is included in the appendix on p. 9024.)

The ACTING CHAIRMAN. I see.

Mr. HALLEY. Mr. Duff, were you president of the so-called Citizens Committee appointed in connection with this Army acquisition program?

Mr. DUFF. I was president of the Miami Beach Hotel Association at the time, and when the Army came in, I was asked to serve as chairman of the Army Coordinating Committee.

(The documents referred to were marked "Exhibits Nos. 964 and 965" and are included in the appendix on pp. 9024 and 9025.)

Mr. HALLEY. Who asked you to serve?

Mr. DUFF. As president of the Hotel Association, and serving as a director on the Miami Beach Chamber of Commerce, at a meeting held at the Cromwell Hotel as a result of some differences between the Army and the hotel owners making their leases, I was asked by—well, just by a lot of the people that were there that day.

Mr. HALLEY. Were they hotel owners?

Mr. DUFF. They were all hotel owners, somewhere between two and three hundred of them.

Mr. HALLEY. Did you appoint your committee, or were they selected by the hotel owners?

Mr. DUFF. I appointed them with a group of directors of the chamber of commerce and the hotel association.

Mr. HALLEY. And is Mr. Stone one of the members of that committee you appointed?

Mr. DUFF. Mr. Stone was one of our committee that I selected.

Mr. HALLEY. Could you place the date of this meeting at the Cromwell Hotel?

Mr. DUFF. No.

Mr. HALLEY. Approximately? Was it in the month of March or April 1942?

Mr. DUFF. Well, it was—

Mr. HALLEY. Can you help, Mr. Stone?

Mr. STONE. I would say it was in the latter part of March of that year.

ARMY NEGOTIATIONS FOR LEASING MIAMI HOTELS

Mr. HALLEY. And did the committee then begin to function?

Mr. DUFF. It began immediately; yes, sir.

Mr. HALLEY. What were your purposes as authorized by the hotel owners?

Mr. DUFF. Well, when Lieutenant Talley first arrived and started making leases, he made just a few.

Senator FERGUSON. Did he come before Fitch?

Mr. DUFF. Yes, sir; he did. Lieutenant Talley was the first officer to arrive here from Washington to begin negotiations, and he had made just a few leases when he came to me one Saturday afternoon, and he said, "I am just stuck. I am going to ask Washington for condemnation authority." He said, "I can't make deals with a good many of these property owners, and I am just stuck."

Well, of course, I don't know what developed between him and Washington, but a day or two later, when General Wooten arrived, he called off negotiations and then it came out in the papers that there were five or six hotel owners that couldn't be dealt with.

Mr. HALLEY. Do you know who those people were?

Mr. DUFF. No. I knew there were some that, due to financial reasons, couldn't make a deal.

Senator FERGUSON. Were there five of six?

Mr. DUFF. I don't believe there could be.

Senator FERGUSON. How many were there?

Mr. DUFF. I'd say three or four.

Senator FERGUSON. That couldn't make deals, you felt, because their properties were so involved?

Mr. DUFF. Two of them were so involved it made it very hard for them to make a deal and much harder for the Army officers to deal with them, knowing that they were in that condition.

Senator FERGUSON. Is it true there was some overfinancing?

Mr. DUFF. Yes, sir; I am afraid there was; that is, in the opinion of some people.

Senator FERGUSON. And that is why you felt there were a few that couldn't make deals, because they were overfinanced?

Mr. DUFF. Yes, sir. There was one definite one that I know of that was not in any financial difficulty, but he just deliberately refused to deal.

Senator FERGUSON. How many rooms did he have?

Mr. DUFF. One hundred thirty or forty.

Senator FERGUSON. He did refuse absolutely to deal?

Mr. DUFF. The first night that Colonel Stoll arrived, when I took him—that was the commanding office of the officer candidate school; that was the only one they had planned on bringing to Miami Beach (that was the story of the officer candidate school)—when I took Colonel Stoll and the staff, the day they arrived, around to the different properties to show them what was available, we went to this one hotel at night, and the owner of the hotel and the operator, although he had leased it and was present there, said Uncle Sam could have his property for one dollar, and he showed us all through the place, and when we left, Colonel Stoll—and Bryan Hanks was there—said, "Well, that certainly shows a very patriotic spirit."

So the next day they went directly there to make the deal, and his first words were that the furniture had cost them \$85,000, and that if the Army paid them \$85,000, he would talk negotiations on the hotel.

Senator FERGUSON. Overnight he changed his mind?

Mr. DUFF. That's right. That is one very definite one that I know the Army couldn't deal with. The others, I don't believe there was any intentional—

Senator FERGUSON (interposing). But it was overfinancing that prevented them?

Mr. DUFF. It brought it to the point they didn't know how to make a deal for the money they knew the Army was offering. Their carrying charges were more than the rent would bring them, and I do not believe it was the intent of these men to hold up the Army making a deal. They just couldn't do it, because they had to pay more for their carrying charges than the Army would pay.

Mr. HALLEY. Would you say these were three or four men?

Mr. DUFF. I would say three or four properties; I don't believe five or six.

Mr. HALLEY. At that time did the Army have any hotel properties?

Mr. DUFF. Yes; they did, Mr. Halley, they had three or four. You see, the first men that came—there were only 500 in number.

Mr. HALLEY. There were several hundred left, is that right?

Mr. DUFF. There were close to 300. There were three hundred and some left.

Mr. HALLEY. Were the few with whom it would have been difficult to deal essential, or were there other hotels available?

Mr. DUFF. After the first 500 men came for the first class, when they get enough hotels for those 500, there was a lapse in the leasing of

property, and when they resumed the attempt to lease is when they ran into trouble.

Mr. HALLEY. But only with three or four people?

Mr. DUFF. That I know of.

Mr. HALLEY. Weren't other hotels available?

Mr. DUFF. Yes, but as they went from one hotel to another, in one day he struck three or four he couldn't deal with.

Senator FERGUSON. He hit those first?

Mr. DUFF. He hit those first, and he said the only way he could see he could deal would be with a——

Senator FERGUSON (interposing). An association?

Mr. DUFF. No, no, was to get permission from Washington to condemn, and Washington, it came out afterwards, would not give that permission. They wanted to make satisfactory deals with all concerned.

Senator FERGUSON. So, then, we find there is a foundation for the news items. You say three or four; the paper says five or six.

Mr. DUFF. That's right.

Senator FERGUSON. If that continued, that attitude continued, and he couldn't make them, Washington wouldn't give condemnation authority——

Mr. DUFF (interposing). That's right.

Senator FERGUSON. Therefore the Army would not come to Miami Beach.

Mr. DUFF. That's right.

Senator FERGUSON. So there is foundation for these articles.

Mr. DUFF. General Wooten came and stopped all negotiations. The day General Wooten arrived, he stopped negotiations.

Senator FERGUSON. I say, then, there is a foundation for these articles.

Mr. DUFF. Oh, yes.

Mr. FERGUSON. And the most that can be said is that it was five or six, whereas he found three or four in the first day.

Mr. DUFF. I believe that is about right.

The ACTING CHAIRMAN. And there was only one of those that was deliberate refusal.

Mr. DUFF. Only one I know of was a deliberate refusal.

The ACTING CHAIRMAN. The other was an impossible financing position?

Mr. DUFF. That's right. I believe that is the reason the deal wasn't made.

Senator FERGUSON. How many would you say he approached up to that time? He got three or four that couldn't negotiate because of finances, and the other was deliberate. How many had he approached?

Mr. DUFF. I don't believe I know that. I wasn't with him.

Senator FERGUSON. Have you any idea?

Mr. DUFF. I think after three or four he got pretty well discouraged that it was going to be a tough proposition to make these leases.

Senator FERGUSON. This came early in his negotiations?

Mr. DUFF. Yes, sir; it did. It came so early that General Wooten had not arrived here yet.

Senator FERGUSON. Do you know how the newspapers and the radio got those facts? Were they well known?

Mr. DUFF. I don't know how they got them.

Senator FERGUSON. I mean it was a well-known fact. You knew it.

Mr. DUFF. Yes.

Senator FERGUSON. How many other people, to your knowledge, knew it? Did Mr. Stone know it?

Mr. STONE. Senator, at first hand I did not know of any of these negotiations that had failed. The first I knew that there was trouble and chaos was the newspaper articles, and the newspaper articles seemed to be, at the time, extreme.¹ They seemed to condemn all the hotel people of Miami Beach, and that is what caused this great excitement. There was a complete break-down of these negotiations, as General Wooten at that time says there was. And we felt, the other hotel men at the meeting, that the hotel men of Miami Beach are as patriotic as any in the country, and we didn't want that impression, that interpretation, to go on.

Senator FERGUSON. You knew, then, the fact that General Wooten had decided he couldn't go any further, and you got a group to deal with him and try to straighten it out; is that right?

Mr. STONE. That's right.

Senator FERGUSON. You may proceed.

Mr. DUFF. When this difficulty came up, there was a meeting called at the Cromwell Hotel, and all property owners were notified, or, at least, we believe all of them—there were somewhere between two and three hundred hotel owners at that meeting—and Bryan Hanks did the opening talk and told what had happened and that it was necessary for us to either get together with the Army officials and make these leases or the Army would be withdrawn from Miami Beach entirely, and that if they did that, it would just be a disgrace to Miami Beach, that we turned the Army away, and it was then that I was nominated to act as a chairman to select a committee in order to get the Army and the hotel owners together and make leases.

So the committee was formed, and, on the advice of the directors of the chamber of commerce and the directors of the Hotel Association, we selected men that were capable of appraising property. We picked men that that was their business. We picked Ed Keefer, who has a reputation here in the Beach for appraising property for banks, trust companies, mortgage companies, and his figures are seldom disputed. We picked August Geiger, who is the city architect, and his opinion of properties is not to be disputed. And then we picked men in the real-estate business, such as Baron De Hirsch Meyer; Peter Miller; Charles Clements, president of the Chase Federal Bank; Frank Smathers, a banker; and Marcie Leiberman, an officer in the Mercantile National Bank. We felt, and I felt, a man from each of the banks could give us advice, because they, too, were loaning money on properties and had some idea of the values of them.

Then, in addition to those, we picked four or five realtors that, in the opinion of these men and in the opinion of all of us, were well versed in the values in Miami Beach, and that was Tarilton, Pokress, Bronston, and Allen. They served on it. So we had a representative group

¹ See Exhibits Nos. 962, 967, 969, 973-976, appendix, pp. 9022, 9026, 9028, and 9058-9082.

of men that we felt knew property values hereabout, as well as anybody in the country. That was their business, and we appointed those men because of that knowledge.

Then the question came up of kitchen equipment. Those men were not altogether versed in kitchen equipment, so we selected a man by the name of Joe Clemments, who we all agreed knew as much about the buying and building and using of kitchen equipment as any other one man we could select. And that about made up our group.

The committee worked for about a week on the different properties that the Army said they wanted. Mind you, now, there was no negotiating being done. We were just appraising these properties, and they were very carefully appraised. Keefer and the banks—

Senator FERGUSON (interposing). What were you trying to appraise? What value? That is, fair cash value?

Mr. DUFF. A fair value, whether it was cash or otherwise.

Senator FERGUSON. We have to know what you were trying to arrive at. Was it a fair market value?

Mr. DUFF. A fair market value for cash.

Mr. STONE. There was a great feeling among hotel people at that time that there was no one yardstick. There was a great feeling of insecurity among hotel men, because they didn't know what the method was, what the yardstick was in fixing rentals. After all, you can't say so much a room, because the rooms vary so much. You can't say so much a hotel, because their locations, their age, and structure vary so much. The first job to be done was to agree on a yardstick. The yardstick occupied our deliberations at first, for days, to arrive at some fair and equitable yardstick, and I believe it has been mentioned before, what we tried to arrive at. We tried to arrive at a basis of 6 percent interest on the man's investment.

Senator FERGUSON. On his investment or the value?

Mr. STONE. The value.

Senator FERGUSON. There is a great difference.

Mr. STONE. On the value, plus taxes, insurance, and plus the customary wear and tear permitted by income-tax figures. In other words—

Senator FERGUSON (interposing). Depreciation, you mean?

Mr. STONE. Depreciation.

Senator FERGUSON. What is the rate allowable on the income tax?

Mr. STONE. I believe it is 2½ percent on the building when the building is fireproof and 3 percent when the building is not fireproof. Then, there is a different rate on furniture and a different rate on elevators and other equipment. We ascertained that from some experts at the time as to the income tax accepted figures, and we figured that based on the valuation made by three of these committeemen—

Senator FERGUSON (interposing). Here is one other trouble you have. A great many of these hotels have what is known as public space, not room space, but large lobbies, swimming pools, beaches, and banquet halls, and regular space that that goes with a—let's say a grade hotel which you have at Miami Beach. Some of them do not have it.

Mr. STONE. And that fixes the value of a hotel.

Senator FERGUSON. But the Army doesn't want necessarily to pay on what is known as public space.

Mr. STONE. That is true. There was a discussion about that, and we did discuss it, and were very emphatic on the fact that it wasn't the hotel man's fault if he had a large lobby, and that he should not be penalized because he had a private beach and swimming pool, but that values were the true and correct basis.

Senator FERGUSON. Then you went to the question of the cash value?

Mr. STONE. Right.

Senator FERGUSON. And in the cash value, you would take the assessment, particularly the State and county assessment were supposed to be on the cash value?

Mr. STONE. That was one of the considerations; yes. In other words, there were three real-estate men——

Senator FERGUSON (interposing). Do I understand now at Miami Beach there is a different assessment for the city than there is for the county and State? In other words, you may have a million-dollar county and State assessment and a \$900,000 city assessment? You don't equalize assessments?

Mr. STONE. That's right. And those assessments were studied and taken into consideration, and the pre-Pearl Harbor true value was placed.

Senator FERGUSON. When you were trying to place it at pre-Pearl Harbor, was that to attempt to get commercial rates?

Mr. STONE. No, sir.

Senator FERGUSON. Why did you use pre-Pearl Harbor?

Mr. STONE. Because there were some people who quoted lower rents, I mean lower real-estate values, due to the very fact that the Army was moving in.

Senator FERGUSON. We have to assume that if oil was coming up on these shores, that did make a difference in the value of these properties.

Mr. STONE. There was no oil coming up on the shores at this time, and there was no talk of any yet.

Senator FERGUSON. Was there any fear that that might be true?

Mr. STONE. There was fear, of course, with the war. Things could happen on the coast. But the fact that the Army moved into some of the hotels, which it did prior to this chaotic situation——

Senator FERGUSON (interposing). What was the location of the first quartering of troops?

Mr. DUFF. It was the Allen Hotel.

Senator FERGUSON. Where is that?

Mr. DUFF. At 18-19-20, opposite the golf course. The Peter Miller was one, and the Dorchester. They were some of the earlier ones that were taken.

Mr. STONE. When the Army first moved in around the golf course and took those few hotels, many people felt that possibly that might detract from Miami Beach as a tourist place, and that at the time appeared to have some deterring effect upon the values, that the Army was going to move in. Values were placed by a group of three on each of these places; three of these real-estate men sat in on each appraisal.

Let us say a piece of property was appraised at a certain figure and then it was taken apart and so much was furniture and the proper depreciation was figured on it, and so forth. The sum total of these figures, of these three, make up a rent which was recommended to the contracting officer at that time, Captain Fitch.

Senator FERGUSON. Do you agree with that?

Mr. DUFF. Well, yes. As I left off, when Mr. Stone asked to say something, we spent approximately a week appraising a number of properties, possibly 12 or 14 or 15, before the Army started to negotiate. General Wooten issued a statement that he would, in the Saturday paper, give a statement as to whether the Army was going to stay or not, and as to whether they were going to negotiate or not, and it was during that lull that all these things came out in the paper. It was during that time of suspense that the papers were trying to find out who was responsible for this stoppage of negotiations.¹

Senator FERGUSON. I take it you knew the names of the people, the three or four.

Mr. DUFF. I do.

Senator FERGUSON. You were familiar with them?

Mr. DUFF. Yes, sir.

Senator FERGUSON. Go ahead.

Mr. DUFF. Saturday morning came, and we had—I say “we”, the committee—appraised and had put a value on approximately 12 or 15 hotels, all ready if General Wooten started to negotiate. We had the figures ready, and we were waiting for Captain Fitch to arrive, and when Captain Fitch did arrive and saw the figures that we had put—

The ACTING CHAIRMAN (interposing). Was General Wooten here when Fitch arrived?

Mr. DUFF. Oh, yes; the General did stay. I'll come to that.

When Captain Fitch did arrive and he looked these prices over, he said that he could not make the prices, he could not put his price as we had put ours.

Senator FERGUSON. Did he say why?

Mr. DUFF. He didn't say why. He just said he couldn't, and we had quite a heated discussion. It was right in the Cromwell Hotel. The whole committee was there, and Captain Fitch.

The ACTING CHAIRMAN. Had the committee told Captain Fitch how they arrived at their appraisal?

Mr. DUFF. We got into that. He said it didn't make any difference, he could not meet those prices.

Senator FERGUSON. Didn't he give you any indication as to why he couldn't?

Mr. DUFF. Bryan Hanks then said these men knew more about the values of Miami Beach “than a man like yourself that just arrived with no chance of knowing the past history of values or even the present history,” and that we felt we should have the general in the discussion. And we did, and we presented—

Senator FERGUSON (interposing). Getting back, didn't Fitch give you any idea as to why he couldn't use your figures?

Mr. DUFF. He never would tell us what his yardstick was. He said he wasn't permitted. He never did tell us exactly what it was, but he did say—at least, we understood—that 11 percent on the fair value was the most they could give under Government rules. But that wasn't the way he figured it. He had another way to figure it that we never did know.

¹ See Exhibit No. 969, appendix, pp. 9028-9033.

Senator FERGUSON. He did indicate 11 percent?

Mr. DUFF. Could not go over 11 percent of the fair appraisal value.

Senator FERGUSON. Is that a fair value? As a real-estate man, would you say so?

Mr. DUFF. I am not a real-estate man.

Mr. STONE. I am not a real-estate man, either, but I will show you why it is not fair.

Senator FERGUSON. You claim it is not a fair value?

Mr. DUFF. So we had a discussion with General Wooten and Captain Fitch and the committee, and then the general called Washington, and I was not present when he called. I think Bryan Hanks was present, the captain and the general and whatever other officers he wanted, but he did get permission that if three of these appraisers put a price on the property and they would sign that appraisal, the whole three of them, the general would accept it.

Senator FERGUSON. And pay how much percentage on it?

Mr. DUFF. That I never knew.

Senator FERGUSON. That wouldn't mean a thing, would it?

Mr. DUFF. It would mean that the most they could hope to get was 11 percent. We all knew that. That would be the most they could hope to get, and Captain Fitch only in a very few instances gave us the limit.

Senator FERGUSON. What was the minimum? What could a statement like that mean. What is the use of taking an appraisal if no one knew what the percentage was going to be on it?

Mr. DUFF. He never told us the minimum he was allowed to go, but he repeatedly told us the maximum was 11 percent.

Senator FERGUSON. Didn't the committeemen have intelligence enough to question the man?

Mr. DUFF. Yes; we questioned him.

Senator FERGUSON. Wouldn't he tell you?

Mr. DUFF. No, sir.

Senator FERGUSON. Then you frankly got nothing from him except that you could get up to 11 percent.

Mr. DUFF. Yes, we did, because the appraisal he put on these properties that Saturday morning was 30 percent lower than we had appraised them.

Senator FERGUSON. So you got him up to 30 percent.

Mr. DUFF. What he did in his own secret way, I couldn't tell you what it was.

The ACTING CHAIRMAN. Did you ever compare the valuations he placed to the land books as shown at the assessor's office?

Mr. DUFF. We all agreed that the assessors at times favored property because of political reasons, and we didn't depend on the appraisals too much.

The ACTING CHAIRMAN. I am not asking that. I am asking how his figures compared to the assessment figures on the land books, to see if possibly that was not his yardstick.

Mr. DUFF. I will have to get back to this: He would not tell us his yardstick.

The ACTING CHAIRMAN. Did you ever compare the valuations he placed with the assessor's values?

Mr. DUFF. Yes; we made constant comparisons.

The ACTING CHAIRMAN. How did they compare? Was he following that?

Mr. DUFF. He was always on the low side.

The ACTING CHAIRMAN. But did his list of values compare so that it was based on those assessed valuations?

Mr. DUFF. Assessment by the county?

The ACTING CHAIRMAN. Yes.

Mr. DUFF. Yes; I think he was guided a good bit in his figures, because we took the valuation of the land, the improvement that was put on the land, the furniture and the location, and I believe that he got a quick decision by the appraised value.

The ACTING CHAIRMAN. You mean the assessed value?

Mr. DUFF. The assessed value.

The ACTING CHAIRMAN. Not the appraised value?

Mr. DUFF. That's right.

The ACTING CHAIRMAN. So that the assessor who was political-minded wasn't doing such a favor for the people he underassessed?

Mr. DUFF. That's right.

Mr. HALLEY. Did you have any further dealings with Colonel Fitch or any other representative of the War Department in connection with these hotels?

Mr. DUFF. Yes; the committee handled something close to 200 leases, and all during that 2 or 3 months we did all the mechanics of figuring out these values and worked very closely with Fitch. I don't mean to say that everything Fitch did was wrong. That is not my purpose. But that one Saturday morning, when we had our biggest blow-up, we all said then the committee might just as well resign, because all the work we had done didn't seem to get us anywhere.

Senator FERGUSON. How did you patch that up?

Mr. DUFF. General Wooten patched it up, and he said he would take their appraisals as long as the appraisers were willing to assume the responsibility for it.

Senator FERGUSON. And on that basis you negotiated 200 leases?

Mr. DUFF. Close to it.

Senator FERGUSON. Do you contend, Mr. Duff, that in the negotiation of those 200, or the number that you did negotiate, there was duress?

Mr. DUFF. Not deliberate; no, sir.

Senator FERGUSON. What kind was there, if there was any duress?

Mr. DUFF. In the opinion of the property owners, in making comparisons they felt that—some of them felt—they didn't get enough.

Senator FERGUSON. Is that because it happened later that they got together and said, "This fellow got so much and that fellow got so much," and therefore they figured they didn't get enough?

Mr. DUFF. Some of them felt immediately they didn't get enough.

Senator FERGUSON. Why did they sign, then? Why did you negotiate a lease that didn't call for enough rental?

Mr. DUFF. I, personally, never attempted to appraise a property, because it wasn't my business.

Senator FERGUSON. On the appraisal that you had?

Mr. DUFF. We made the appraisal we felt was the fair appraisal.

Senator FERGUSON. All right. Then you knew what percentage each 1 of these 200 was getting, because you negotiated the lease.

Mr. DUFF. That's right.

Senator FERGUSON. Those were fair, weren't they?

Mr. DUFF. After we made the appraisal, Major Fitch always passed on them.

Senator FERGUSON. Were those 200 leases fair?

Mr. DUFF. Some of them were. In the opinion of the owners they were not. Of course, we thought they were.

Senator FERGUSON. The committee thought they were fair?

Mr. DUFF. We thought they were fair. But Major Fitch did not always base his final figure on our suggested figure.

The ACTING CHAIRMAN. In other words, he did not carry out General Wooten's instructions.

Mr. DUFF. I wouldn't say that. He used what, in his opinion, was the right thing to do, I suppose.

The ACTING CHAIRMAN. Didn't General Wooten direct that if all three appraisers signed the appraised valuation, that would be accepted?

Mr. DUFF. Yes, he did.

The ACTING CHAIRMAN. And Captain Fitch, or Major Fitch, didn't go ahead with that?

Mr. DUFF. Not in all cases.

Senator FERGUSON. What did he do? Did he use a different rate?

Mr. DUFF. Did he use a different rate?

Senator FERGUSON. Yes.

Mr. DUFF. None of us knew.

Senator FERGUSON. Notwithstanding that, the committee was satisfied with these two-hundred-some leases? The committee was satisfied that they were fair to the owner?

Mr. DUFF. Fair to the owner.

Senator FERGUSON. And fair to the Government?

Mr. DUFF. Yes, of what they made.

Mr. HALLEY. What do you mean?

Mr. DUFF. Of the price they made. But Fitch always passed on them after they made the price, and it wasn't always accepted on that basis.

The ACTING CHAIRMAN. Do you have any idea of how many were accepted on the basis of appraisals signed by Fitch?

Mr. DUFF. I couldn't tell now. They were going fast and furious; we appraised a good many a day.

Mr. HALLEY. When you say you felt they were fair, are you referring to the committee's appraisals or Fitch's leases?

Mr. DUFF. The committee's appraisals.

Mr. HALLEY. Do you think Fitch's leases were fair?

Mr. DUFF. Some were just as we had appraised them; others were not.

Mr. HALLEY. And those which were not, would you feel were too low or too high, or what?

Mr. DUFF. They weren't too high, but there were some that were too low.

Mr. HALLEY. Can you give us some idea of how many of the 200 were too low?

Mr. DUFF. I am afraid to do that.

Mr. HALLEY. Well, would it be more than 10?

Mr. DUFF. I would rather not attempt—

The ACTING CHAIRMAN (interposing). Do you have any record of the appraisals of those three appraisers on these 200 buildings?

Mr. DUFF. I, personally, don't.

The ACTING CHAIRMAN. Does your committee?

Mr. DUFF. Oh, yes; there was a record.

The ACTING CHAIRMAN. I mean those values which the three appraisers were willing to—

Mr. DUFF (interposing). Oh, yes. They are all a matter of record and were in the files when the engineers took over.

Mr. HALLEY. Now, Mr. Stone, I believe you seem to want to add something.

Mr. STONE. That's right. I do want to add something. Those files, which were turned over then to the real-estate department of the Army engineers, will of course speak for themselves. It is my opinion and best recollection that in the great majority of cases the recommended rental price was cut substantially.

The ACTING CHAIRMAN. The recommended rental valuation?

Mr. STONE. Yes.

The ACTING CHAIRMAN. The valuation for rental purposes as recommended was reduced?

Mr. STONE. Not the valuation, sir, but the rent. In other words, the rent was made of various things, not only of valuation, because depreciation on furniture, for example, and buildings, is different than a parcel of land where it occupies a great deal of land. There is less depreciation. So a certain percentage would amount to a different rental on one property than it really would on another.

Let us say, for example, using this yardstick I have just mentioned, you have arrived at a rental of \$16,000 a year on a given property. It would be—

The ACTING CHAIRMAN (interposing). Before you go into that, how would they arrive at that rental of \$16,000 a year from your yardstick?

Mr. STONE. Our yardstick was quite simple. The appraisers would appraise the land on which the building was located. Then they would appraise a building, the present value: in other words, subject to depreciating it for old age. They would then appraise the furniture within that building.

Senator FERGUSON. Much of the furniture was to be taken out.

Mr. STONE. No; very little was to be taken out. Only the lobby furniture and the carpets in some cases were asked to be removed. The Army wanted the beds.

Senator FERGUSON. What about the overstuffed furniture?

Mr. STONE. In some cases that was removed, but especially at the beginning there wasn't much emphasis placed on the moving of overstuffed furniture, and that, incidentally, is a further liability on the hotel man, because he must pay for storage on it.

At any rate, a yardstick was arrived at, putting a 6-percent overall on the appraisal, adding real-estate taxes, insurance, and depreciation, which varies, there being none, of course, on land. And a price of sixteen thousand is arrived at in a specific case.

The ACTING CHAIRMAN. A rent?

Mr. STONE. A rent. It would often happen that Captain Fitch would cut that right to twelve thousand five hundred, and when the committee would say, "Why?" he said, "That's a military secret.

We can't tell you how we arrived at it." And then the committee or several members therefrom, who contacted the owners and tried to make the deal, were between two millstones: We were trying to get the Army its rooms and were cognizant of the military need for those rooms; at the same time we were trying to get the owners some fair rental. So we were in between, and several members of the committee then would contact a specific owner. We would call him in and offer him that rental. In most cases that rental was accepted, although in most cases the owners were quite unhappy about it.

Mr. HALLEY. Mr. Stone, in computing the fair rental, did you consider any particular term of the lease?

Mr. STONE. By the year.

Mr. HALLEY. Would you say that the rentals would have been computed differently if you had known of the 30-day cancelation clause?

Mr. STONE. I was also under the impression that there was a 30-day cancelation clause.

Mr. HALLEY. And you took that into account?

Mr. STONE. But I was also under the impression definitely that these buildings would be utilized for the duration.

Mr. HALLEY. Did you or did you not take the 30-day clause into account?

Mr. STONE. It was based on the yearly rental and very little expectation of the return in a very short time.

The ACTING CHAIRMAN. I am beginning to get this straightened out. My first impression was that your committee evaluated the property, but what they actually did was evaluate the property by components and then recommend a suitable rental.

Mr. DUFF. Yes, sir.

The ACTING CHAIRMAN. In evaluating that, did they take into consideration the desirability of location?

Mr. DUFF. Yes, sir.

The ACTING CHAIRMAN. Of course, that doesn't mean much to the Army for quarters.

Mr. DUFF. When we say desirability of location—you have brought up the public space. We considered the public space as being an asset for messing soldiers. A hotel that had large public space and large kitchen had some value, because they had been leasing restaurants, whereas a large hotel had a large dining room and kitchen.

The ACTING CHAIRMAN. I am not talking about public space; I am talking about location values. Certain hotels here not on the beach, for instance, might have just as much value as one fronting on the beach but not so much of a tourist value, because it is not on the beach.

Mr. DUFF. In most cases the larger hotels on the ocean front had better messing facilities than the smaller hotels in the back.

Senator FERGUSON. By April 15, let's say, 1942, how much work had this committee done in its appraisal?

Mr. DUFF. They had appraised very close to 200 properties.

Senator FERGUSON. And you had negotiated with 200 owners by that time?

Mr. DUFF. Close to it; yes, sir.

Senator FERGUSON. On price and lease?

Mr. DUFF. Yes, sir.

Senator FERGUSON. I am going to show you a letter that was written April 15, 1942, and ask you if that is a photostatic copy of a letter written and if it has your signature on it.

Mr. DUFF. Yes, sir; that is.

Senator FERGUSON. And that is the other members of the committee?

Mr. DUFF. Yes, sir.

Senator FERGUSON. Was that a true statement of facts at that time?

Mr. DUFF. Which are you referring to?

Senator FERGUSON. Was it true, what is stated in the letter?

Mr. DUFF. Well, the letter—

Senator FERGUSON (interposing). When you signed it, you felt it was true?

Mr. DUFF. Yes; yes, sir.

Senator FERGUSON. Have you had anything to change your mind from that time on that it wasn't true when you signed it?

Mr. DUFF. Well, I am not familiar with just what the letter was. This is a year or more ago, and I would like to read it.

Mr. STONE. I would like to read it.

Senator FERGUSON. I don't think your name is on it.

Mr. STONE. I don't remember it.

Senator FERGUSON. Mr. Duff's is the first name on it.

Mr. STONE. I am not familiar with the letter, sir.

Mr. DUFF. This letter was written because of somebody mentioning—I believe this is where it says they are doing it without pay. There was some rumor about that we were doing it for some personal gain, and the letter was written only for that purpose.

Senator FERGUSON. But it contained other facts, didn't it?

Mr. DUFF. I still haven't read it.

Senator FERGUSON. Did you just want to call to the Army's attention that you weren't getting paid, and the other things you were stating in there were false? You had better read the letter.

Mr. DUFF [reading]:

APRIL 15, 1942.

Maj. DAVID G. FITCH,

United States Engineer Corps, Cromwell Hotel Building.

DEAR MAJOR FITCH: The undersigned civilian committee of appraisers have been working since the latter part of March between you and other representatives of the United States Army, in carrying out the desired plans of the United States Army Air Corps in this area.

In addition to the Miami Beach municipal golf course properties and other properties in Miami Beach, which have been turned over to the Air Corps without cost to the Government, we have assisted you and other Government representatives in the optioning or leasing of more than 100 hotels and other required properties, including restaurants. We are pleased that the work has moved so smoothly. With few exceptions, the owners of the property optioned or leased have been agreeable to the offered leased price, clearly indicating the fairness of the price being offered by the Government and the desire of the people of this area to cooperate with the Army Air Corps. In the few instances negotiated by the civilian committee, where the offered price has not been acceptable to the owners, financially, leases or other conditions have made it impracticable for the owner at this time to turn over his property to the Government.

The work has been hard and tedious, but pleasing, because of generally satisfactory results obtained for the property owners and the Government. The appraisers are continuing to appraise the property desired by the Government and the civilian committee is continuing to negotiate for the owners and otherwise cooperate with the Government in the securing of the necessary facilities for the requirement of the Army Air Corps in this area.

In addition to our work with the owners of the properties desired, we are individually talking to hundreds of the citizens of Miami Beach, and almost without exception, they are very favorable to the Army engineers and the Air Corps and their operation on Miami Beach and are desirous of helping in every way they can.

As you know, the undersigned have been working without money compensation. However, we can assure you we have received much compensation in the satisfaction that has come to us in our effort to be of assistance to you and to those other representatives of the Government who are responsible for the establishment of the operation of the United States Air Corps in this area.

(The document referred to was marked "Exhibit No. 966" and appears in text on pp. 8775-8776.)

Senator FERGUSON. Is it true?

Mr. DUFF. Yes, sir.

Senator FERGUSON. Mr. Chairman, I will offer that in the record: It's signed by Duff, Cleary, Meyer, Leiberman, Hanks, Tarilton, Bronston, Geiger, Keefer, Peter W. Miller, Pokress, Allen, Clemments, and Smathers, Jr.

Who dictated that letter? There is no indication as to who dictated it.

Mr. DUFF. I believe Bryan Hanks did.

Senator FERGUSON. Was it prepared by the Army or prepared by your committee?

Mr. DUFF. By Bryan Hanks and one or two of the committee.

Senator FERGUSON. So it is an expression of the opinion of the committee?

Mr. DUFF. That's right.

Senator FERGUSON. Will you state whether or not anything happened after you wrote that, to change what you were saying in that letter?

Mr. DUFF. There were some leases made that we did not feel were fair.

Senator FERGUSON. Will you give us those leases? Tell us what they were.

Mr. DUFF. You mean quote the name of the hotel?

Senator FERGUSON. Yes.

Mr. DUFF. One that stands out in my mind was the Sea Isle Hotel. That was listed later. The lease was negotiated, as I understood, because of the number of rooms that it had, and they had no use for the dining room or the public space, but later that was all used without any additional compensation being made for it. I believe that I am right on that.

Senator FERGUSON. What others?

Mr. DUFF. Oh—a long time has passed.

Senator FERGUSON. I appreciate that.

Mr. DUFF. That happens to be one that stands out. It was negotiated on the number of rooms and later the public space was taken, but not any additional payment made for it.

Senator FERGUSON. Who is the owner of that particular one?

Mr. DUFF. Ben Churchman.

Senator FERGUSON. But he did sign the line?

Mr. DUFF. I suppose so.

Senator FERGUSON. I mean, as far as you knew.

Mr. DUFF. I don't believe our committee had anything to do with that.

Senator FERGUSON. But you don't know, out of the two hundred, of any that really were not proper leases.

Mr. DUFF. That is awfully hard, to look back now without anything to refresh your memory.

Senator FERGUSON. You felt, Mr. Duff, you were representing the citizens of Miami Beach, property owners, and the Government, because you are a citizen?

Mr. DUFF. That's right.

Senator FERGUSON. And you were doing the best you could as a public-spirited citizen, working without compensation to arrive at a fair rental value for the hotels that were to be taken by the Government, is that correct?

Mr. DUFF. Yes, sir.

Senator FERGUSON. What has happened since, if anything, so that you feel that these leases were not properly entered into?

Mr. DUFF. I don't attempt to claim that I feel that the leases weren't fair. There were some that were not, but certainly not all of them.

Senator FERGUSON. But you haven't given us any that you feel are not fair. I wish we could get those on the record, if you have them—because you were one of the negotiators.

Mr. DUFF. I happened to mention one.

Senator FERGUSON. You say the committee did not negotiate that one.

Mr. DUFF. I don't believe so.

Senator FERGUSON. Do you know any that the committee negotiated or had anything to do with that were not fair? If so, we would like to have it on the record.

Mr. DUFF. No, sir; I don't believe I will attempt to go that far.

Senator FERGUSON. Mr. Weil was making a statement and I suggested that you could give us the evidence and it wouldn't be hearsay. Do you remember that statement?

Mr. DUFF. I don't remember all his statement.

Mr. WEIL. I will repeat the statement. The statement was made in the presence of eight or more Miami Beach hotel owners, among which was Mr. Fred Humpage, Mr. Raffington, Tom Raffington, of the Sovereign and now Coronado Hotel, the gentleman that owned the Ocean Spray, Mr. Henkel, and several others. The former chairman of the civilian coordinating committee attended this meeting uninvited. I came up with a Mr. Sam Gaines.

Senator FERGUSON. What was the date of the statement?

Mr. WEIL. It was about February of this year. To those present, it was known, of course, that Mr. Duff no longer—

Senator FERGUSON (interposing). Just give his statement.

Mr. WEIL. Mr. Duff at this meeting, without being asked for any expression, voluntarily stated that by reason of his former connections and close working with the Army and civilian coordinating committee, wished to point out that the hotel men of Miami Beach received the rawest and most iniquitable deal imaginable, based upon what he claimed to know to be a fact; that the attitude of practically every Air Corps officer down here toward hotel owners was one of disrespect, disregard, if not contempt. He stated very clearly that many of these officers, including the highly ranking ones, told him they were going to tell these damned civilians a thing or two before they got through with them, and that he would be perfectly willing

to help us get these situations rectified if we felt we ever wished to call on him.

Senator FERGUSON. Mr. Duff, you have heard the statement read by Mr. Weil?

Mr. DUFF. I do not remember ever making a statement like that. I remember stating that when we were discussing Captain Fitch he had ice water for blood.

Senator FERGUSON. Do you know what Fitch's business was prior to the war?

Mr. DUFF. I believe he was in the real-estate business and he certainly was a good man for the Government. They surely picked a good man. He did a good job for them, but he did have awfully cold blood. We pointed out several things to him.

Senator FERGUSON. You do not think the Army uniform may have chilled his blood?

Mr. DUFF. I don't think so. I think it was his nature, but I was invited—at least, one of the men stopped and asked if I knew about a hotel meeting and I said, "No," and he said, "You are still a hotel man; come along with me." I would not have gone otherwise. I was invited to the meeting by somebody that was going to it. It was not that I went out of a clear sky.

Mr. STONE. I was not at this particular meeting, so I know nothing about it, but I do want to say that during this period of negotiation, the articles and the atmosphere created by these articles and radio speeches was an atmosphere of hysteria which continued and which, in my opinion, made hotel owners very willing to fall in line.

Senator FERGUSON. For instance, on the same day, March 23, page 15 of the Miami Tropics, this is stated:

TWENTY-SEVEN SAVED AFTER 11 DAYS AT SEA

NEW YORK, March 23. INS. Twenty-seven survivors of a small United Nations' merchant vessel sunk by the guns of an enemy submarine in the Atlantic told today a dramatic story of spending 11 days in a leaky lifeboat 200 miles off Bermuda, and the entire crew of 27, all Dutchmen with the exception of 1 Venezuelan, were picked up by a Dutch ship.

So we are getting not only what appears about the property here but other news that we were having quite a time at sea out here; is not that true?

Mr. STONE. These articles, of course, had a depressing effect on everyone in the country.

Senator FERGUSON. I also notice this:

HOME OWNERS GET TAX WARNINGS

Home owners of Miami Beach were warned today by Millard H. Webb, city assessor, that only a little more than a week is left in which to file their claims for homestead exemption.

You do have to file for homestead exemption?

Mr. STONE. That is customary.

Senator FERGUSON. And you have to file the value of your property over and above your homestead exemption?

Mr. STONE. I am not familiar with that.

Senator FERGUSON. Proceed with your testimony.

Mr. STONE. I merely want to say that while undoubtedly the war at that time was not going any too well, in my opinion, and that is my own opinion because I was in contact with a lot of these people, that was not what influenced these people to simply fall in line. All of them were willing to turn over their hotels at a moment's notice, but the prices as revised by Captain Fitch were accepted by many as a result of the hysteria and the feeling that swept this area. It was more than patriotism. It was, in many cases, a fear of being accused of being unpatriotic. In other words, it was done under a form of fear.

Senator FERGUSON. Do you think the appraisers—the committee—acted under fear?

Mr. STONE. Definitely not.

The ACTING CHAIRMAN. The question is, Who do you think engendered that fear? What caused that fear? Is the Army to blame for it? Is someone else to blame for it?

Mr. STONE. I cannot say. I suppose various persons were quoted. I do not know how these articles appeared and how they continued to appear. They kept appearing all right, as you can see.

Senator FERGUSON. Did you know that there were three, four, or five owners who did not want to cooperate?

Mr. STONE. No; I did not know offhand.

Senator FERGUSON. Did you read the paper that claimed to have the names of the five or six?

Mr. STONE. I read it in the paper.

Senator FERGUSON. But you did not know about it?

Mr. STONE. No.

The ACTING CHAIRMAN. Let me quote you from the Daily Tropics of March 23, the front-page editorial, "What Price Patriotism."¹

If the Army moves away and deprives Miami Beach of its biggest and only chance to help the war effort then these hotels should be blacklisted and, if possible, branded with a mark of shame to see for all time. The Daily Tropics has the names of these hotels and their owners. It is withholding publication of these names in the hope and belief that these persons may reconsider their position—

and so on.

Later it says:

Already today we have heard any number of people say, "I am ashamed to be a part of Miami Beach."

They are referring to these hotels which were charged with blocking this move. Is it your information now that they did not have the names of those people?

Mr. STONE. I do not know if they had the names or not, but the articles were certainly effective in obtaining acquiescence very promptly with very low rents.

(The newspaper editorial referred to was marked "Exhibit No. 967" and is included in the appendix on p. 9026.)

Senator FERGUSON. Do you gentlemen want to add anything more to the record?

Mr. DUFF. No; except that I would like to mention about that letter. It does make reference to the few hotels that were financially unable to make a deal.

¹ See Exhibit No. 967, appendix, p. 9026 et seq.

Senator FERGUSON. That is referring to those three or four, whatever the number was.

Mr. DUFF. Just as I said, some were not financially able to make a deal, but I just know of one man who took the definite stand, but the letter was true at the time or I would not have signed it.

Senator FERGUSON. Notwithstanding the statement attributed to you by Mr. Weil, you do not care to change your testimony?

Mr. DUFF. No, sir; I do not.

Senator FERGUSON. That is all, then.

Mr. WARD. Mr. Chairman, may I ask you to inquire why that letter was written?

Senator FERGUSON. I thought he explained why it was written, because of the question about serving without pay.

Mr. DUFF. The letter was presented to me one morning and Bryan Hanks said:

John, there is some reference to these men serving here as receiving high pay for this and we want this letter to go on record that we don't expect any, never did expect any, and that our work is very pleasant.

Senator FERGUSON. Did you release it to the press?

Mr. DUFF. That I am not sure of, Senator.

Senator FERGUSON. Do you know whether it appeared in the press?

Mr. DUFF. It may have.

Senator FERGUSON. Did you not want the public to know that you were not getting paid for these services?

Mr. DUFF. That was not the main purpose.

Senator FERGUSON. That was one purpose?

Mr. DUFF. There had been some rumors going around, just as other rumors were going around, that some of these men were receiving high pay for their appraisal work and it was not fair that that should continue. We wrote that letter, that went in the Army record, that we were not to be paid.

Senator FERGUSON. You wanted to give them the facts as nearly as possible as of that date.

The ACTING CHAIRMAN. Was any effort made to utilize the facilities of the Federal Housing Administration on the valuation?

Mr. DUFF. I do not think they had an organization here set up to do it. In fact, they didn't on the beach.

The ACTING CHAIRMAN. You have no Federal Housing Administration on the beach?

Mr. DUFF. I do not believe we did at that time.

The ACTING CHAIRMAN. All right; thank you. Mr. Kirtley, do you solemnly swear that the evidence you give in the matter now in hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. KIRTLEY. I do.

TESTIMONY OF FRED H. KIRTLEY

PARK VIEW ISLAND APARTMENTS, MIAMI BEACH—ACQUISITION AND RELEASE
BY ARMY

The ACTING CHAIRMAN. Will you state your name, address, and occupation for the benefit of the record?

Mr. KIRTLEY. I am Fred H. Kirtley, a lawyer, 1612 Congress Building, Miami, Fla., representing Park View Apartments, Thomas H. Horobin, coowner.

Gentlemen, I can make this statement very short. We are not connected with any association of apartment-house owners or hotel people. We are independent. The Park View Island Apartments are located at the foot of Seventy-third Street on an island at Miami Beach. They were practically new at the time they were taken over by the Government. They were filled. We saw gradually that the Government was pushing farther up north and, frankly, we discussed the question of whether they should take our properties. We have six apartment houses located on a 19½-acre island. We all felt that they were wholly unfit the way they were built for Government purposes, and doubted very much that they could be used. We had canceled some of our leases with the purpose of taking over and leasing apartments to civilian governmental employees who had come here from Washington. We had agreed among ourselves that if the Government did want them they were going to get them.

Finally we were notified that they wanted them and were going to take them. We had discussed the matter at length. We had agreed among ourselves that if we could get the actual carrying charge of our property we were willing to admit them and that would have amounted to a little in excess of \$25,000. However, in our negotiations it was not the question of value or anything else that entered into it.

The ACTING CHAIRMAN. You say "carrying charges." That is a somewhat flexible word. Just what did you consider to be carrying charges. In the statement you made here—

Mr. KIRTLEY (interposing). The island, as I stated, was 19½ acres. The island has on it only these apartments. We have a mortgage on that island on the books and what I consider carrying charges for this particular instance would be enough to pay the interest, taxes, insurance, and sufficient to keep the mortgage from being in default.

Senator FERGUSON. That is, principal payments?

Mr. KIRTLEY. We were making arrangements—had tentatively made arrangements—for reduction in principal payments because I want to say that the total principal payments, of course, would be in the nature of applying on the payment of a debt, and it would be other than pure carrying charges.

Senator FERGUSON. That would be a profit?

Mr. KIRTLEY. That would be a profit; yes. Finally, we were offered \$21,500.

Senator FERGUSON. How much of the \$25,000 was principal payments on the mortgage?

Mr. KIRTLEY. I would say that in the \$25,000 there was none.

Senator FERGUSON. So that was not part of the carrying charges?

Mr. KIRTLEY. There was a large amount of our property that was not mortgaged. It was land. It was part of our improvements and in listening to your discussions I may add that this land was used, a large part of it, for drill purposes and what not for the Government and wasn't in the nature of public space. It was space; that is true. Mr. Horobin came to me and we discussed it very frankly. We decided if the Government wanted it they could get it, and we were in-

interested in one thing more than any other. Our property was new; our furniture was new. We wanted the provision that if, as, and when that was turned back to us it would be turned back to us in the condition they got it. That was agreed to and that was agreed to by the negotiators for the Government, and they took possession. We never got our lease presented to us in any way. In fact, we haven't a copy of it—carelessness on our part. Finally, in November 1943 when the property was turned back to us the condition it was in was such that if I were to describe it to you you would not believe it. It was horrible. We secured estimates from reputable, reliable contractors in an attempt to get a fair settlement.

The final analysis is contained in one letter, and I may add that our cost in placing it back in the condition it was exceeded the estimates. The letter is dated August 5, and was delivered practically simultaneously with the amount that they did pay us for settlement. The letter reads as follows [reading "Exhibit No. 968"]:

Mr. JOHN C. FRAZURE,
Real Estate Project Office,
Miami Beach, Fla.

DEAR SIR: On July 28, 1943, I presented you with estimates from various contractors on the cost of repairs and replacements necessary in order to put Park View Island Apartments in condition due to damages caused by the Army. The lowest estimate I have received is \$12,431.93, which, in truth and fact, will not be sufficient to place the property in condition it could be rented to the public. The only proposition I have been able to secure from you is the payment of \$6,789.30, which is wholly insufficient.

You also advised me that unless I accepted your offer at once and gave you a complete release the property would be turned over to the post engineers and the post engineers would expend not in excess of the amount you offered to make said repairs and replacements.

I was also requested by you to sign an agreement that I would accept the property after the post engineers had expended the said amount. After I had refused to sign such an agreement you then advised me regardless of whether or not I signed such an agreement the property would be turned over to the post engineers unless I accepted the offer you had made and the post engineers would expend that amount of money and then turn the property over to me, and if I was not satisfied with the work done, the matter would be submitted to the board of governors, and if approved by that board, the Government would be through.

Having in mind the fact that up to this date I have not received one cent in rent, although taxes—

Senator FERGUSON. What is the date of the letter?

Mr. KIRTLEY. August 5, 1943, when they were giving back the property. [Continuing to read "Exhibit No. 968"]:

Having in mind the fact that up to this date I have not received one cent in rent, although taxes and interest on my part are still running, and that I have seen on the property the most inferior work that has been done by the post engineers while it was occupied by the Army, and all of which will have to be done over, and knowing that if such work is again done by the post engineers my property will not be fit to offer to the public, and further recognizing from your attitude and implications made by you that I would have to eventually apply to Congress for relief, and that in the meantime my property would be idle and without income, which in a short time would bankrupt me, I have accepted your proposition. I do not think the offer is either fair or honest, and I realize I have accepted the same, but I do want you to know I am going to make every possible effort through the various Government channels to be reimbursed for the loss I have sustained through no fault of my own.

(The document referred to was marked "Exhibit No. 968" and appears in text above.)

The ACTING CHAIRMAN. Let me ask you this: You mentioned a board of governors in there. What do you mean by that?

Mr. KIRTLEY. I don't know. That is what was mentioned to us.

Senator FERGUSON. Haven't you any idea what is meant by that?

Mr. KIRTLEY. I am glad to have you ask Mr. Horobin who was present at that time, but upon the report made by him I wrote this letter at once.

The ACTING CHAIRMAN. What is the board of governors?

Mr. KIRTLEY. I personally do not know that. That is what was told to Mr. Horobin.

Senator FERGUSON. Did they mention a board of review?

Mr. KIRTLEY. Senator, I personally was not present at that time and I would be just guessing.

Senator FERGUSON. Do we understand that this letter fairly represents your claim to date?

Mr. KIRTLEY. Absolutely; on the principle that we never argued or whimpered. We tried to get what was carrying charges.

Senator FERGUSON. Your complaint is that they turned it back not in the same condition?

Mr. KIRTLEY. Yes, sir; and that was the agreement they gave us when we turned over possession.

Senator FERGUSON. You are not asking for more rent?

The ACTING CHAIRMAN. It is merely a question of the condition under which you had to take the property back?

Mr. KIRTLEY. Yes, sir.

Senator FERGUSON. What has it cost you now, or how much have you spent to put it back in shape?

Mr. KIRTLEY. We have put it back in shape.

Senator FERGUSON. What has it cost you?

Mr. KIRTLEY. The actual money we spent to put it back in shape was \$19,480.36. They allowed us rental for 5 weeks during repairs which we knew, and they should have known, could never have been repaired in that time, and it actually took us 9 weeks, and we have added on the difference of the rental we have agreed on for the extra weeks.

Senator FERGUSON. The Army engineers did some work; is that right?

Mr. KIRTLEY. While they were in occupancy of the premises they did some repairs that we knew nothing about.

Senator FERGUSON. So instead of the \$12,000 you had estimated it has actually cost you the 19,000 figure?

Mr. KIRTLEY. In repairs.

Senator FERGUSON. Is that true?

Mr. KIRTLEY. Yes; in repairs.

Senator FERGUSON. And then it took longer than 5 weeks?

The ACTING CHAIRMAN. How much of that is for the extra 4 weeks' rental?

Mr. KIRTLEY. The extra 4 weeks' rental, based upon the same ratio we had agreed upon in rent, is approximately \$1,600. I will leave a copy of the statement with you.

Senator FERGUSON. We can boil this down that the damage was nearly a year's rent; \$21,000 was a year's rent, and to put it back in shape cost you \$19,000?

Mr. KIRTLEY. Yes; Senator. I want to add this. Our apartments are highly exclusive and rent for a very large price and they must be

in perfect condition to get the proper rental. They were new, when we rented them, and frankly I want to impress upon you that in our negotiations for the question of the difference between what we figured was our carrying charge or not, we were not as concerned as we were in what condition we were going to get it back.

Mr. Horobin is here if you care to ask him any question.

Senator FERGUSON. What is your capacity, Mr. Horobin?

Mr. HOROBIN. The owner.

The ACTING CHAIRMAN. Mr. Horobin, do you solemnly swear that the evidence you give in the matter now in hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HOROBIN. I do.

TESTIMONY OF THOMAS H. HOROBIN, OWNER, PARK VIEW ISLAND APARTMENTS

Senator FERGUSON. You are the owner?

Mr. HOROBIN. Yes, sir.

Senator FERGUSON. This negotiation for repairs, and so on, was through your attorney who has testified here?

Mr. HOROBIN. Yes, sir.

Senator FERGUSON. Is there anything you personally know that you want to add?

Mr. HOROBIN. I think he covered the ground.

Senator FERGUSON. Did you negotiate personally?

Mr. HOROBIN. Yes.

Senator FERGUSON. You were present?

Mr. HOROBIN. My first contact was with a man in the real-estate project office.

Senator FERGUSON. Was this property located near other properties taken by the Government?

Mr. HOROBIN. Same neighborhood.

Senator FERGUSON. There is nothing else you wish to add?

Mr. HOROBIN. No.

The ACTING CHAIRMAN. I want to ask him one or two questions. Where you present at the conference in which a large part of the statements made in that letter were made by Mr. Frazure?

Mr. HOROBIN. I was the only one.

The ACTING CHAIRMAN. Did he use the words, "board of governors"?

Mr. HOROBIN. It is my recollection that that is the term he used.

Senator FERGUSON. Could he have said "claims board"?

Mr. HOROBIN. Board of governors was in my mind as his expression.

Senator FERGUSON. Perhaps he, being a layman, described the claims board as board of governors.

Mr. HOROBIN. Perhaps.

The ACTING CHAIRMAN. And that accurately sets forth the conversation between you and Mr. Frazure?

Mr. HOROBIN. Yes; it does.

The ACTING CHAIRMAN. And you brought that to your attorney and he incorporated it in a letter so as to make it a matter of record?

Mr. HOROBIN. Yes, sir.

The ACTING CHAIRMAN. That is all.

TESTIMONY OF FREDERICK I. HUMPAGE, MIAMI BEACH, FLA.

FIDELITY CORPORATION—ARMY NEGOTIATIONS FOR ACQUISITION OF FOUR HOTELS

Senator FERGUSON. Mr. Humpage, do you solemnly swear the testimony you give before the committee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HUMPAGE. I do.

Senator FERGUSON. Please state your name and address.

Mr. HUMPAGE. Frederick I. Humpage, 927 West Forty-first Street, Miami Beach, Fla.

Senator FERGUSON. What properties do you represent?

Mr. HUMPAGE. Well, we have several interests. Our company, of which I am president—Fidelity Corporation—has large stock interests in other companies, so that we are interested in the respective companies interested in four hotels.

Senator FERGUSON. Which hotels?

Mr. HUMPAGE. The Flamingo, the Boulevard, the King Cole, and formerly the Nautilus, which has been sold to the Government.

Senator FERGUSON. Did you negotiate for the leasing of these hotels?

Mr. HUMPAGE. I was among those present.

Senator FERGUSON. What have you to say about that?

Mr. HUMPAGE. Well, the first hotel that was taken over by the Army was the Boulevard Hotel. That was about February 20 or 21, 1942. We were called into conference about the 20th by Bryan Hanks at the request, as I understood it, of Lieutenant Talley. We met at the Roney-Plaza Hotel. During the conference many things were discussed as to the methods by which the Government was willing to pay for the rental of the Boulevard premises. The Boulevard, by the way, was the first hotel taken over by the Government.

We were told that there were between 500 and 700 men in transit; that the time required in which they could make an arrangement was very limited and they wanted immediate action. The rental per man per room per month was discussed, and then the question came up as to whether or not the public rooms were to be considered, and after a full afternoon of discussion, about 5 o'clock in the afternoon, they asked us if we could and would vacate those premises immediately. That was at the height of our season.

Senator FERGUSON. How many tenants had you?

Mr. HUMPAGE. I can't say. The hotel was at least half full. We agreed, and the formula was worked out, by which they paid a sum. The exact method of computation I cannot tell you because it did take into considerable paying on a square footage basis for some of the public rooms, and also took into consideration the number of men which they said they were going to have in the hotels. In any event, we made the deal, and we arrived at a settlement and agreement and we evacuated our guests.

Senator FERGUSON. Was the agreement satisfactory?

Mr. HUMPAGE. Yes; it was satisfactory because when we make an agreement it has to be satisfactory.

Senator FERGUSON. Did you make agreements on the other properties?

Mr. HUMPAGE. Did we make agreements? Yes, sir.

Senator FERGUSON. Were they satisfactory?

Mr. HUMPAGE. Not at first.

Senator FERGUSON. What do you mean "not at first"?

Mr. HUMPAGE. Well, there is a great deal of negotiation on them.

Senator FERGUSON. After you had negotiated to the point of signing the agreements were they satisfactory?

Mr. HUMPAGE. As a business proposition, when you sign an agreement you sign it, presumably, with your eyes open. Whether it is satisfactory or not is another question.

Senator FERGUSON. Your eyes were open and you signed the agreement?

Mr. HUMPAGE. That is right.

Senator FERGUSON. Have you any complaint on those agreements?

Mr. HUMPAGE. As far as rental is concerned, I have no complaints, sir.

Senator FERGUSON. The rentals were satisfactory. Now, have any of them been returned to you?

Mr. HUMPAGE. Yes.

Senator FERGUSON. How many?

Mr. HUMPAGE. The Flamingo has been returned.

Senator FERGUSON. Is that the only one?

Mr. HUMPAGE. That is the only one.

Senator FERGUSON. Have you any complaint on that?

Mr. HUMPAGE. The Nautilus has been sold.

Senator FERGUSON. And that was a satisfactory deal?

Mr. HUMPAGE. It's made.

Senator FERGUSON. On the Flamingo, what have you to say about that?

Mr. HUMPAGE. I say that when it was returned it was in such a condition that we have not been adequately paid for the restoration.

Senator FERGUSON. Did you get together and sign a release?

Mr. HUMPAGE. On the Flamingo?

Senator FERGUSON. Yes.

Mr. HUMPAGE. Yes, sir; just day before yesterday.

Senator FERGUSON. While, in fact, we were meeting here?

Mr. HUMPAGE. Yes, sir.

Senator FERGUSON. And what was the figure agreed upon to put it in repair?

Mr. HUMPAGE. I had better tell you first what the first offer was. Our figures on restoration were \$104,000. They offered us \$60,622.

Senator FERGUSON. You were some \$40,000 apart?

Mr. HUMPAGE. That's right. We asked to check the separate items so as to determine where the difference occurred and after progressing a little, he said, "Well, that's sufficient."

Senator FERGUSON. With whom did you negotiate?

Mr. HUMPAGE. Mr. Tarilton.

Senator FERGUSON. How long did it take you to negotiate?

Mr. HUMPAGE. We finished that day in entire disagreement and were asked to come back the following day, or at least we were told to come back. We went back the next day. I want to interject at that point, however, that in trying to arrive at a difference between

the figures which they submitted as willing to pay and our figures, they determined that they had taken off about 40 percent. In other words, if you take \$104,000 and take 40 percent from that you get just about their figure. I asked why the 40 percent and he said it was an old building and he certainly wasn't going to pay us the same price they paid for a new building. I asked how they arrived at the 40 percent. That was not very clearly explained to me and I still don't know.

Senator FERGUSON. They did not claim it was a military secret, did they?

Mr. HUMPAGE. They just didn't say. I didn't ask them what the secret was. It made no difference. The following day when we negotiated again Mr. Tarilton said he talked to the board of engineers and the board of engineers stated they were willing to make some concessions.

Senator FERGUSON. How much?

Mr. HUMPAGE. Whereas the previous day nothing had been said about any definite time required for restoration or compensation paid for it, on this day they had agreed to "up" the \$60,000 price to \$72,000, and they also were going to make an allowance for restoration of 3 months.

Senator FERGUSON. What figure did you arrive at?

Mr. HUMPAGE. When we finally got through it was \$90,000.

Senator FERGUSON. Did you accept it?

Mr. HUMPAGE. I accepted it; yes, sir.

Senator FERGUSON. You don't know the actual cost to you was?

Mr. HUMPAGE. No, sir. We only know that we had an appraisal made by what we consider top appraisers and their figures were \$104,000.

Senator FERGUSON. Are you going to release the Flamingo?

Mr. HUMPAGE. We are not going to. This morning at 9:30 it was taken over by the United States Navy.

Senator FERGUSON. So you are going to get your \$90,000 in repairs?

Mr. HUMPAGE. I hope.

Senator FERGUSON. The Navy is now attempting to take it over?

Mr. HUMPAGE. Condemnation proceedings.

Senator FERGUSON. Then you haven't any other complaint to make at this time?

Mr. HUMPAGE. Haven't any complaint. That's all I have to say.

Senator FERGUSON. Of course you don't know what is going to happen to the other properties.

Mr. HUMPAGE. That's right.

Senator FERGUSON. I think that is all, unless you care to add something.

Mr. HUMPAGE. No. I don't want to add anything except that sitting here and listening to some of the complaints that have been made by previous witnesses, there seems to be some doubt in the minds of this committee as to whether or not any coercion was used.

Senator FERGUSON. I don't think you can judge as to what is in the minds of the committee. I am sure the committee has not made up its mind.

Mr. HUMPAGE. I didn't say that, sir. I am asking permission to make a statement as regards the negotiations on the Flamingo Hotel.

Senator FERGUSON. Go ahead.

Mr. HUMPAGE. We first started negotiations on the Flamingo Hotel with Colonel Fitch and we had several days of conferences on the subject. Finally he made me an offer of \$70,000 rental. I told him it was not enough. He said he thought that was more than adequate. We stayed in those conferences for several days and I asked him if he had an appraisal made of the property, if he had seen the property and knew what it was that he was talking about in the determination of its value as a rental proposition. He admitted he had not seen it. He said he had sent some men down there. I asked if they were competent to appraise the property. He was a little hesitant on this.

Senator FERGUSON. When was it leased?

Mr. HUMPAGE. Leased on June 2.

Senator FERGUSON. Did the committee that has been mentioned here this morning have anything to do with it?

Mr. HUMPAGE. Not so far as I know.

Senator FERGUSON. You don't know whether they gave him his appraisal?

Mr. HUMPAGE. I don't know. I do know that one of the members—one or two of the members—of that committee had told me that the price of \$70,000 was considerably less than the committee had appraised it for.

Senator FERGUSON. Apparently the committee did appraise it.

Mr. HUMPAGE. Apparently so; yes. Anyway, I suggested that Colonel Fitch with competent appraisers come down and go over the property. We went down and he told me the following day—he called me the following day—and in the meantime he sent me a telegram. In any event he sent me a telegraphic letter to the effect that any further negotiations would be on the basis of \$70,000—of less than \$70,000.

Senator FERGUSON. What did you do in relation to that telegram?

Mr. HUMPAGE. I ignored it. Then he came back in about a week or 10 days and asked me to come over and see him. I told him I couldn't come that day but I could come the following day. I went over to see him and he started off on the same basis, \$70,000.

Senator FERGUSON. What was your basis to start with?

Mr. HUMPAGE. I didn't start. So when he started to talk \$70,000 again, I got up and said, "Colonel"—he was a major then.

Senator FERGUSON. You did not address him as colonel?

Mr. HUMPAGE. No. He moved very rapidly in the meantime, but I said, "There's no use of our discussing this matter further. I have your telegram. We are starting at exactly where we left off. There is no reason for our talking any more." Then he said to come back again.

Senator FERGUSON. Did he take you back then?

Mr. HUMPAGE. No. He said, "Good-bye." So I went out and the next day I went over to see him again and he repeated his same tactics at first, and then he said, "Well, I have some good news for you. We are going to offer you \$74,250. We have been down and looked the property over very carefully. We find you have a wonderful dining room and can accommodate a great many men there. You have a very fine bake oven. We can make a lot of foods which can be used to serve others than those who are served in the hotel, and we will offer you \$74,250." I said that was not satisfactory and he wanted

to know why. He said that was the best he could do and he wanted to know what I was going to do about it. I asked him if he had any objection to my seeing General Wooten. He said, "It won't do you any good." I said I thought it was a courtesy to ask whether I could. He said, "You'd go anyway," and I said, "Probably I would," and I did. I went to see General Wooten and he said, "What's the matter that you can't get together? We need the hotel badly and we need it in a hurry." We discussed the matter of rental, and so forth, and he said, "Well, after all these matters are handled through this project division or real estate board," or whatever they call it. He said, "There is only one way in which anything can be done to assist you. You are entitled to more rental and there is only one way I can help and that would be by special order. That would be embarrassing and I wouldn't want to do it." He said, "If you insist, I will see what I can do." Immediately I said, "General Wooten, if that is going to be embarrassing to you or anybody else we will accept the \$74,250," and that ended it.

Senator FERGUSON. All right, thank you. We will recess until 7:30 tonight.

(Whereupon, at 2:25 p. m., the committee recessed, to reconvene at 7:30 p. m.)

AFTERNOON SESSION

The hearing reconvened at 8:10 p. m., Senator Kilgore presiding.

The ACTING CHAIRMAN. All right, the committee will come to order.

Will the witnesses stand? Do you swear that the evidence you give in the matter now in hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

The WITNESSES (in unison). I do.

TESTIMONY OF MORRIS A. SPOONER, PROJECT MANAGER, MIAMI BEACH REAL ESTATE PROJECT; LT. COL. DAVID B. GIDEON, REAL ESTATE DIVISION, OFFICE OF CHIEF OF ENGINEERS; COL. JOHN J. O'BRIEN, CORPS OF ENGINEERS; LT. COL. JOHN C. KELLY, HEAD-QUARTERS, ARMY AIR FORCES; MAJ. ARTHUR R. MAYS, JR., CORPS OF ENGINEERS; JOHN C. FRAZURE, FORMER PROJECT MANAGER, MIAMI BEACH REAL ESTATE PROJECT

ARMY REAL ESTATE DIVISION STATEMENT RE NEGOTIATIONS FOR ACQUISITION OF FLORIDA HOTELS

Senator FERGUSON. You are a civil service employee?

Mr. SPOONER. Yes.

Senator FERGUSON. You were at one time?

Mr. FRAZURE. Yes.

Acting CHAIRMAN KILGORE. Colonel O'Brien, I believe you have an opening statement on behalf of the Real Estate Division, so just go ahead.

Colonel O'BRIEN. With the concurrence of the Army Air Forces, I have prepared the following statement regarding the acquisition of hotels in Miami Beach for use by the War Department in connection with the Army Air Force technical training program.

At the time of the entry of the United States into the present war, the Army Air Force was confronted with a twofold problem: (1) to build up a huge training system, and (2) to protect the country from the enemy until it was possible to take the offensive. By now, most people have forgotten that the threat of continental invasion immediately after Pearl Harbor was very real and that even to the most optimistic the outlook was gloomy at best. Enemy submarines were operating within a few miles of the east coast and repeated actual sinkings were occurring within gunshot distance of Miami Beach hotels. The Navy was taxed to the utmost in patrolling both the Atlantic and Pacific and keeping our supply lines open. In addition, the Air Forces had to deliver planes and accessories to our allies in Australia, China, Russia, the Near East, and England.

Pressed by all of these demands, the Army Air Forces had to carry out the greatest training program ever known in the shortest possible time. First of all, facilities had to be secured before the teachers could be hired, the textbooks written, and the first classes held. Hundreds of hotels, plus garages, theaters, warehouses, exhibition halls, and other structures, parking lots and athletic fields, had to be leased in order to accommodate the trainees. Not only was there insufficient time within which to build such facilities, but to do so would have sorely taxed the Nation's manpower, transportation systems, and stockpile of critical materials. The use of existing facilities such as hotels not only effected economies in men, time, and material, but resulted in lessened costs to the taxpayers.

The ACTING CHAIRMAN. Colonel, how long would it take you to build housing for the number of men necessary for Miami Beach?

Colonel O'BRIEN. It would have involved a delay of at least 6 months.

Senator FERGUSON. How many would you have had to house?

Colonel O'BRIEN. We would have had to accommodate somewhere in the neighborhood of 120,000 men, to achieve the same output of trainees.

Senator FERGUSON. How much trouble would it have been to transport into this part of the State enough material to build such a project?

Colonel O'BRIEN. I wouldn't know, Senator, but it seems to me, based on our experience at the other camps, that it would have been a tremendous undertaking.

Senator FERGUSON. Go ahead.

Colonel O'BRIEN. Whereas permanent construction of cantonment facilities would have amounted to over \$800 per man, involving a minimum cost in excess of \$100,000,000, it was possible to cut the annual over-all housing costs to about \$20 per month per man, or a total annual cost of approximately \$20,000,000, including rent, utilities, maintenance, operation and repair.

While it was possible to accommodate some of the thousands of recruits at existing airfields and various Army posts, and others could be stationed at new establishments which were rushed to completion, neither of these expedients were sufficient and, since time was of the essence, we were forced to make use of hotel buildings and similar establishments which could be utilized in a minimum of time.

Early in 1942, the War Department determined to establish at Miami Beach, Fla., an Army Air Forces technical training command

installation. This included an officers' training school, officer candidate school, and a school for the training of enlisted technical personnel. The Miami area was selected for these schools because of its favorable climate and the availability of a large number of hotels for immediate use as troop and officer quarters.

About the end of January 1942, the Army Air Forces requested representatives of the Miami Beach hotels to prepare a complete report on all available facilities in Dade County for housing, drill fields, hospitals, and other public buildings, to be considered by the War Department in its general survey of possible locations for the officers' training school. On February 18 a representative of the Corps of Engineers proceeded to Miami Beach and conferred with members of the Dade County Defense Council and the Hotel Men's Association, acquainting them with the general situation.

On the date mentioned, February 18, Maj. Gen. Walter R. Weaver, Acting Chief of the Air Corps, accompanied by other Air Corps officers, also arrived at Miami Beach. General Weaver stated that on February 20 the enlisted overhead consisting of 400 men would arrive and that the first class of 500 officer candidates was scheduled to arrive on the 21st and 22d of February, by which time quarters would have to be made available. It was the general impression at that time that the hotels at Miami Beach faced a financial crisis, and the War Department was led to believe that the owners were anxious to rent their properties.

Senator FERGUSON. When did you actually decide to come to Florida?

Colonel KELLY. Either February 18 or February 20.

The ACTING CHAIRMAN. Colonel, might I ask a question at that point?

Senator FERGUSON. That was '42?

Colonel KELLY. Yes, sir.

The ACTING CHAIRMAN. You just made a statement that "the War Department was led to believe." Do you know who made representations to the War Department to that effect?

Colonel O'BRIEN. They were made principally, Senator—and this is hearsay—they were made in meetings attended by representatives of the Army Air Forces at which the War Department's plans were laid before the meeting.

Senator FERGUSON. Here in Miami?

The ACTING CHAIRMAN. Those statements were made by people of Miami and Miami Beach and the Dade County area?

Colonel O'BRIEN. Yes, sir.

The ACTING CHAIRMAN. And from those statements the Corps of Engineers deduced that that condition existed?

Colonel O'BRIEN. The Air Forces rather than the Corps of Engineers.

The ACTING CHAIRMAN. Because you were really an operating agency only for the Corps of Engineers?

Colonel O'BRIEN. That's right.

The ACTING CHAIRMAN. Acting as an engineering group.

Colonel O'BRIEN. That's right.

The ACTING CHAIRMAN. All right, go ahead.

Colonel O'BRIEN. It must be remembered that at the time, with travel restrictions and other attendant wartime conditions, black-outs and other things, the resort business was as a standstill—at least

the prospects were not very bright and it certainly was not to be compared with either the former or the present scale of things in Miami Beach and other resort areas.

I have spent considerable time studying newspapers and records of the meetings that were held down here, and I am convinced that the statements made at these meetings indicate that the hysteria did not develop as a result of the newspaper clamor which has been placed in evidence today. These gentlemen were willing—

The ACTING CHAIRMAN (interposing). In other words, you think the newspaper clamor was the result of the hysteria rather than the hysteria resulting from the clamor?

Colonel O'BRIEN. Yes. In meetings held in February, hotel representatives were told that the Government would maintain the properties and that the facilities would be returned by the Government in the condition received, less ordinary wear and tear. Negotiations were opened immediately by representatives of the Corps of Engineers to obtain the necessary housing, messing, warehousing, hospital, recreation, and other facilities.

Senator FERGUSON. Where there was reasonable wear and tear. When did you change over and add the word "barracks"?

Colonel O'BRIEN. At first there was a conflict in the lease that was prepared. The lease had both terms in it. How it got through with our approval, I can't tell you, but if—

Senator FERGUSON (interposing). It was Mr. Weil, wasn't it, who read his? His didn't have the word "barracks" in it.

Colonel O'BRIEN. That's correct. I mean to say there were two forms being used.

Senator FERGUSON. Both ways, but both clauses were not in the one lease.

The ACTING CHAIRMAN. In other words, you were using a regular printed form lease.

Colonel O'BRIEN. Some of them were and some were typewritten. On the 18th of February, this project developed and was on its way almost overnight. The first five hotels were not leased by the Corps of Engineers. They were leased by Air Force representatives with a Corps of Engineers officer present, but I think the negotiating was done down here. Our records so indicate.

Mr. HALLEY. When the lack of uniformity between the leases was discovered, were steps taken to make them uniform?

Colonel O'BRIEN. Immediately, on the basis of ordinary wear and tear.

Mr. HALLEY. I understand at Daytona Beach, settlements were negotiated on barracks wear and tear.

Colonel O'BRIEN. That is true. We had WAC'S in the hotels there, and it is the opinion of our experts that the hotels, after those girls left them, certainly couldn't have been said to having been subjected to barracks wear and tear.

Senator FERGUSON. You hadn't had much experience with girls in barracks before, had you?

Colonel O'BRIEN. Their wear and tear certainly was not comparable to the barracks wear and tear that is caused by soldiers, assuming they are at camp. The girls keep up their facilities as they do at home.

Senator FERGUSON. How could you tell barracks wear and tear in one of these high-class hotels compared to the wear and tear of an

ordinary frame softwood barracks? What was the measuring stick? What does it mean?

Colonel O'BRIEN. Barracks wear and tear, Senator, is probably best evidenced in these apartments or any of these hotels which have wooden floors, where the number of people tramping on them, the scouring with sand, and one thing and another, has simply worn the floor down. Certainly that isn't ordinary wear and tear.

Senator FERGUSON. Do you call some of the older fortifications and forts where they had permanent buildings barracks?

Colonel O'BRIEN. Yes, sir.

Senator FERGUSON. So you had experience in that kind of buildings on barracks. You don't necessarily mean camp barracks of the very light construction.

Colonel O'BRIEN. No, sir; and in the settlements that have and are being made, certainly no barracks wear-and-tear yardstick has been used.

Senator FERGUSON. Then we are to understand that notwithstanding the clause in the lease, you have never applied the barracks wear-and-tear clause?

Colonel O'BRIEN. That, in my opinion, is correct, Senator, because to have done so would simply have eliminated any restoration on the part of the Army.

Mr. HALLEY. Colonel, one case comes to my mind. You mentioned wear and tear on wooden floors. I assume you would believe that women in the WAC walk on floors pretty much in the same way that men do.

Colonel O'BRIEN. That's right.

Mr. HALLEY. And I assume it is generally understood that at each one of these hotels a great many more people were quartered than ordinarily would have been inhabiting the place in civilian use.

Colonel O'BRIEN. Not in the WAC establishment at Daytona; not to be compared with other establishments throughout the country.

Mr. HALLEY. I have in mind the Tides Hotel, which I inspected and which I was informed was a brand-new building, or relatively new, and I was advised that in the settlement for that building no allowance was made for the floors, which had to be completely scraped and redone at the expense of the owner, the explanation being that in a barracks you would expect the floors to take unusual wear and tear. Would you say that would be one exception to the general statement you just made that barracks wear and tear was never applied?

Colonel O'BRIEN. Mr. Spooner was at Daytona. Is that the basis on which the case was settled?

Mr. SPOONER. It is my recollection that in the settlement there an allowance was made for floors in the apartments.

Senator FERGUSON. When you say "floors" do you mean sanding, cutting down, and refinishing?

Mr. SPOONER. Sanding and varnishing.

Mr. HALLEY. Are you sure of that?

Mr. SPOONER. I believe that is correct.

Senator FERGUSON. Do you believe it, or do you know?

Mr. SPOONER. My recollection is that on the apartments themselves an allowance was made and in the halls there were rugs. The allow-

ances were made on the edges of the runways on the steps and in the halls.

Senator FERGUSON. Have you had charge of repairs on all buildings that have been turned out?

Colonel O'BRIEN. Major Mays, the post engineer, does that.

Senator FERGUSON. All right, Major Mays, would you testify the same as Colonel O'Brien, that you have never applied the reasonable wear and tear of the barracks?

Major MAYS. Not in that sense; no, sir.

Senator FERGUSON. What did you apply? I think we ought to know that, because that is very material here.

Major MAYS. I cannot speak for Daytona.

Senator FERGUSON. I am asking you about Miami.

Major MAYS. Here, where the floors have been damaged due to group occupancy, we have allowed the refinishing.

Senator FERGUSON. We saw some floors yesterday at Oceanic Villa. You saw those floors?

Major MAYS. Yes, sir.

Senator FERGUSON. The wood floors in the upper apartments. Is that what you would consider, if you did apply the barracks rule, that that floor would not have been applied?

Major MAYS. If you apply the barracks rule, it would not.

Senator FERGUSON. You are familiar with what happens in the barracks when it is occupied by privates and officers?

Major MAYS. Very much so, sir.

Senator FERGUSON. And that is a sample, is it, of how the floors look after that occupancy?

Major MAYS. In this area; yes, sir.

Senator FERGUSON. That is because of the sand?

Major MAYS. Because of the sand, sir, and also scrubbing.

Senator FERGUSON. You mean in scrubbing the nature of the soap that the Army uses?

Major MAYS. Well, it is a fact, sir, that they are scrubbed with brushes, as a rule, and the walking over the finish, along with the sand, wears off the finish, and then the water gets into the grain of the wood.

Senator FERGUSON. Do we understand, then, that the Army does not keep its floors by the same method that civilians do, so that if you applied one rule, "reasonable wear and tear," the average housewife, or whoever takes care of a dwelling or an apartment, doesn't use the same method of cleaning floors as the Army?

Major MAYS. Not as a general rule.

Senator FERGUSON. So the Army's use means they have almost immediately, both with the methods and the soap, taken the varnish and the filler out of the floor.

Major MAYS. It takes so little time to do it, sir.

Senator FERGUSON. A short time, but the average householder will go along for years, because she waxes and keeps it filled.

Major MAYS. A good housekeeper; yes, sir.

The ACTING CHAIRMAN. They don't scour the floor. They use other cleaning agents and re wax immediately, fill it up. Isn't that right?

Major MAYS. Yes, sir.

Senator FERGUSON. Then if you apply reasonable wear and tear to one of these hotels, you would have to refinish all these floors, isn't that true?

Major MAYS. That is correct; yes, sir.

Senator FERGUSON. But if you used the barracks, you would not.

Major MAYS. That's right.

Senator FERGUSON. And have you allowed for refinishing all the floors?

Major MAYS. In my opinion we have, yes, sir, in instances such as you have enumerated.

Senator FERGUSON. You may continue Colonel.

Colonel O'BRIEN. The first hotel was rented on the 19th of February and was available by the time the 400 enlisted men arrived on the 20th. By February 20 four more hotels were leased.

In the first stages of the negotiations the citizens of the Miami area invited the Army Air Forces to make use of whatever facilities were available and cooperated fully in meeting the requirements of the Government. In fact, the city representatives granted the War Department the use of municipal facilities for a nominal consideration. However, by March 20, 1942, a small number of hotel owners indicated that they were dissatisfied with the rentals offered by the Government and the War Department was forced to discontinue negotiations.

Senator FERGUSON. Right there, have you got the names and the properties that refused to negotiate?

Colonel O'BRIEN. Mr. Frazure can supply those, Senator.

Senator FERGUSON. Have you got them?

Mr. FRAZURE. Yes, sir.

Senator FERGUSON. How many were there of them?

Mr. FRAZURE. I can only speak for the ones I actually contacted myself.

Senator FERGUSON. How many were there?

Mr. FRAZURE. Four that I contacted the first day I was sent out.

Senator FERGUSON. Four on the first day?

Mr. FRAZURE. Yes, sir.

Senator FERGUSON. Did you ever know whether there were five or six?

Mr. FRAZURE. There were possibly six or seven or eight, because Mr. Sewell, Lieutenant Holleman, and myself started out. Sewell was project manager at the time. We started out to get the hotels which the commanding general requested. I came in with one hotel out of the three of us on a day's work.

Senator FERGUSON. You missed on four and got one?

Mr. FRAZURE. Yes, sir.

Senator FERGUSON. Who were the four you couldn't get?

Mr. FRAZURE. Well, I first went to the Betsy Ross Hotel and offered them a price at that time which was more than they finally accepted for their building. They were filled up, though like most of the hotels. I wouldn't want the Senator to condemn any of these people, because they had their hotels filled.

Senator FERGUSON. We just want the facts.

Mr. FRAZURE. Naturally. We had had a bad season. It started off bad. When we came in March, though they were filled to the doors with tourists. It did not indicate they did not want to cooperate with the Government, but it was more a case of, "Can't you put it off a little longer? Can't you give me a little more time?" That was the main thing. That was the main objection.

The ACTING CHAIRMAN. Mr. Frazure, at that point, how soon did you want occupancy?

Mr. FRAZURE. We wanted immediate occupancy; that is, within, I would say, 2 or 3 days.

The ACTING CHAIRMAN. Why was that?

Mr. FRAZURE. Those were my orders.

The ACTING CHAIRMAN. What was the basis of those orders?

Mr. FRAZURE. The fact that we had troops coming in here and had to have some place to house them.

Senator FERGUSON. But you had only six or eight hundred troops coming in.

Mr. FRAZURE. Sir, I can't answer for that. I had orders from Colonel Fitch to get these hotels; troops were coming in. We had to have them, and the commanding officer had requested that we get these particular buildings.

Colonel O'BRIEN. Troops were already in. We had already leased five hotels.

Senator FERGUSON. What other apartments?

Mr. FRAZURE. The next one I contacted was the Jefferson, and I went over to see Mr. Morris who was at the Jefferson, and I went to the St. Moritz. We settled on the basis of taking the Jefferson Hotel. Mr. Morris was very cooperative, turned over the Jefferson, and he said, "If you give me 15 more days on the St. Moritz, I will let you have the Jefferson." That was the one hotel I got.

The next one I went to was the Royal Palm.

Senator FERGUSON. What happened there?

Mr. FRAZURE. Mr. Rose and his partner were very cooperative, very sympathetic, and very nice, but they said the money we offered was not enough. I understand that we had Mr. DuPree, the president of the Miami Beach Realty Board, employed by the Government at so much per day to appraise the buildings. Colonel Fitch gave me a price at which we were supposed to ask for these buildings. They were appraised and he said, "Here is the price the Government is justified in paying for them." I presented these prices to the various owners. They were not accepted in the case of the Jefferson.

Senator FERGUSON. Do you draw the conclusion that the four refused to cooperate, if a man asked for 15 days when he had every room occupied? Is that what you call failing to cooperate?

Mr. FRAZURE. No, sir; I didn't say that. I just said that they were filled up, and I can sympathize with them. But I did tell them we needed these buildings immediately.

Senator FERGUSON. How did the newspapers get the article? We had some editorials offered in evidence this morning.¹ Do you know how they got those?

Mr. FRAZURE. No, sir; I do not.

Senator FERGUSON. You don't know where that came from?

Mr. FRAZURE. No, sir.

The ACTING CHAIRMAN. Did you have any contact with the newspapers or radio?

Mr. FRAZURE. No, sir.

Senator FERGUSON. Do you know whether there was any release to that effect by the Army?

¹ See Exhibit No. 967, appendix, p. 9026.

Mr. FRAZURE. Not to my knowledge.

Senator FERGUSON. When you reported back, did you report to Colonel Fitch—I'll have him a general in a minute—to Captain Fitch?

Mr. FRAZURE. I reported to Captain Fitch.

Senator FERGUSON. And did you report to him that these people wouldn't cooperate?

Mr. FRAZURE. No, sir.

Senator FERGUSON. Did you tell him the facts, that they wanted 15 days?

Mr. FRAZURE. Yes, sir.

Senator FERGUSON. You didn't really expect to walk into one of these large hotels and walk out having the property, did you?

Mr. FRAZURE. No, sir.

Senator FERGUSON. When it was occupied.

Mr. FRAZURE. No, sir; I did not.

Senator FERGUSON. My first question was along the line as to how many didn't cooperate, and you counted on your fingers four.

Mr. FRAZURE. I said I went in with the attitude that we wanted the buildings immediately. We had to have them.

Senator FERGUSON. What do you mean, immediately—to hand you the keys?

Mr. FRAZURE. Forty-eight hours.

Senator FERGUSON. Did any of these men tell you, "We will not lease to the Government"?

Mr. FRAZURE. No, sir; not a one.

Senator FERGUSON. Or indicate that they would make you condemn or pay a higher price than was reasonable?

Mr. FRAZURE. No, sir.

The ACTING CHAIRMAN. One of them I think you said would not accept the rental offered.

Mr. FRAZURE. Well, in fact all of them turned down the rental that particular time. I gave the price which the Government was justified in paying, the price I was given by Captain Fitch to propose to them.

Senator FERGUSON. Do we understand that you were almost a messenger carrying a message that you could give so much; you had no discretion?

Mr. FRAZURE. You might say that is correct, Senator.

Senator FERGUSON. As a real-estate man—that is your business here?

Mr. FRAZURE. Yes, sir.

Senator FERGUSON. Were these prices that you carried to these owners reasonable?

Mr. FRAZURE. In my opinion, they were, sir.

Senator FERGUSON. All right.

Colonel O'BRIEN. Since it was essential that all facilities required for the installation be made available, representatives of the Department indicated that they would have to look elsewhere for the location of necessary accommodations.

The activities of the protesting hotel owners were vigorously opposed and repudiated by the great majority of citizens and businessmen of Miami Beach. Mass meetings were held and a number of committees were formed to confer with the War Department in an effort to reopen negotiations. When it appeared that the Army might abandon its original plan to locate at Miami Beach, the city of Miami

took immediate action to persuade the War Department to utilize Miami facilities.

The ACTING CHAIRMAN. I want to ask Mr. Frazure another question on that line. You were sent to four hotels, you say, or five?

Mr. FRAZURE. Yes, sir.

The ACTING CHAIRMAN. Had previous negotiations been carried on with the owners of those hotels before you went to them?

Mr. FRAZURE. Not to my knowledge, sir.

The ACTING CHAIRMAN. In other words, that was the first proposal put to them. You went to them and said, "I will give you so much a month or year for this hotel."

Mr. FRAZURE. I went to them with this statement.

The ACTING CHAIRMAN. If there had been no previous negotiations, how had you been able to arrive at the offer of rental?

Mr. FRAZURE. Captain Fitch had these buildings appraised, and I think we employed Mr. DuPree to appraise these buildings.

The ACTING CHAIRMAN. Without consulting the owner?

Mr. FRAZURE. That's right, sir.

The ACTING CHAIRMAN. That was done before any conference was had with the owners?

Mr. FRAZURE. That's right.

Senator FERGUSON. Could he appraise without going through and telling the owner what he was doing?

Mr. FRAZURE. How he appraises, sir; I don't know.

Colonel O'BRIEN. I can clear that up.

Senator FERGUSON. You have a statement there now that negotiations were cut off. Now, what evidence have you that they were cut off? I understand you were in Washington.

Colonel O'BRIEN. Yes, sir. The first evidence we had was a telephone call from Captain Fitch indicating that this whole project was at a standstill, and General Wooten and the Air Force people had under consideration the advisability of moving out of here, and at the same time we had word from the Air Force Headquarters in Washington that there had been a request made as to whether or not, not we but the War Department would undertake condemnation, a mass condemnation of hotels down here, and it was decided as a matter of policy that the War Department would not undertake that, and instructions to that effect, I assume, went back to the Air Forces, certainly to our offices.

Senator FERGUSON. Did Captain Fitch tell you why, or does the record show why this terminated?

Colonel O'BRIEN. Yes, sir.

The ACTING CHAIRMAN. That procedure was used there. You used condemnation there.

Colonel O'BRIEN. On a minor—well, there were three hotels.

The ACTING CHAIRMAN. When negotiations broke down, you used condemnation procedure.

Colonel O'BRIEN. Yes, sir.

On February 15 a meeting was held at which various hotels were represented. We have a list prepared by the Army Air Forces representatives who were there, indicating that a number of the hotel men who later refused to give 48-hour occupancy of their hotels had been present at these meetings and had stated to our men, "These properties are yours." Five hotels had already made their properties available.

It was understood at these meetings that the control of the flow of troops down here was something that we would be unable to gage or estimate. We had men coming in one day; the next day no men. The next day the Army Air Forces had hundreds of men coming in. And at this meeting held prior to the time of actual negotiations, the whole program was explained. Representatives of these hotels were present.

Senator FERGUSON. Did you consider it a refusal to cooperate if they refused to give you possession within 24 hours?

Colonel O'BRIEN. No, sir; that isn't my understanding. The difficulty down here, according to the Air Force representatives, Captain Fitch and Colonel Cox, who was our division real-estate officer, was not so much one of immediate occupancy but of price in addition to the question of immediate occupancy. Several hotel owners indicated that the prices weren't high enough.

Senator FERGUSON. In other words, Mr. Frazure comes back with four that aren't satisfied with the price.

Colonel O'BRIEN. That's right.

Senator FERGUSON. And then for that reason you cut off negotiations.

Colonel O'BRIEN. Yes, sir.

Senator FERGUSON. Was there any release issued to the papers about cutting off negotiations?

Colonel O'BRIEN. We have inquired into that, and I can assure you the War Department issued no releases.

Senator FERGUSON. Do you know whether any officers issued any?

Colonel O'BRIEN. Not so far as the Department has been able to ascertain, with the exception of some formal statements that were made by General Wooten when the press called on him after this thing started.

Senator FERGUSON. When were those formal statements made by him? Have you copies of those?

Colonel O'BRIEN. We have copies; yes. We have tried to get together all this material. Some of them are repetitious of those that were filed this morning.

Senator FERGUSON. Do you claim the papers properly quote General Wooten?

The ACTING CHAIRMAN. General Wooten is not quoted in any of those, is he?

Senator FERGUSON. There are some quotations, I think.

Colonel O'BRIEN. Here is a publication in the Miami Daily News of March 23, 1942, which quoted General Wooten to the effect [reading]:

General Wooten held out little hope for the resumption of negotiations, however, and was forthright in terming the refusal of the five or six hotels to stand by original price agreements as "unfortunate."

(The newspaper articles referred to were marked "Exhibit No. 969" and are included in the appendix on pp. 9028-9033.)

Senator FERGUSON. You say "to stand by original price agreements." Those aren't the ones Frazure was talking about, are they, because he said there wasn't any agreement. That would indicate that they had given their word on a certain price and then took their word back and refused to allow it.

Colonel O'BRIEN. Yes, sir.

Senator FERGUSON. That isn't what you meant, Mr. Frazure.

Colonel O'BRIEN. As I understand it, some of these hotels had indicated at meetings and otherwise, and some by executive option. Is that correct, John? There were some options taken down here.

Mr. FRAZURE. That, I couldn't say, Colonel O'Brien.

Senator FERGUSON. Colonel, have you got the five or six people? Do you know who they were?

Colonel O'BRIEN. I don't know the names of the five or six hotels.

Senator FERGUSON. Do you know the properties?

Colonel O'BRIEN. No, sir.

Senator FERGUSON. Are there any records in the War Department to show who those five or six were and what properties they had?

Colonel O'BRIEN. I don't believe so.

Senator FERGUSON. Are there any records actually to show there were five or six?

Colonel O'BRIEN. I would like an opportunity to check into that.

Senator FERGUSON. So far you don't know of it?

Colonel O'BRIEN. I can't name them; no, sir.

The ACTING CHAIRMAN. Were any of you gentlemen other than Mr. Frazure here at that time?

Colonel O'BRIEN. No, sir.

Colonel KELLY. No, sir.

Senator FERGUSON. Where is General Wooten?

Colonel KELLY. Panama.

Mr. FRAZURE. I can possibly explain that.

Senator FERGUSON. Do you have first-hand information?

Mr. FRAZURE. After making my report after this first day, Mr. Sewall, Lieutenant Holleman, and I came back to the office in the Masonic Temple. Mr. Sewall made his report.

Senator FERGUSON. In your presence?

Mr. FRAZURE. Yes, sir.

Senator FERGUSON. Was there anything in his report to indicate that anyone refused?

Mr. FRAZURE. No, sir, but the fact was that everybody was filled up to the doors and doing a good business and they wanted to put this thing off. They wanted to know if we couldn't wait another 30 days and they would be willing to cooperate with us 100 percent. We made our report to Captain Fitch.

Senator FERGUSON. Who is the other man?

Mr. FRAZURE. Lieutenant Holleman.

Senator FERGUSON. Did he make a report?

Mr. FRAZURE. Yes, sir.

Senator FERGUSON. What was his report?

Mr. FRAZURE. The same as Mr. Sewall's and mine—buildings which they had contacted. I contacted four of five; they contacted possibly four or five between them. I don't know the names of the buildings. I know two or three of them. Then the fact that I was back with them on one, the Bancroft. The report was that they were not making any headway. We were not going to be able to get the buildings in the time in which we had been directed by the commanding general to get them, so we filed our report and that night, about an hour later, Captain Fitch stepped out and said, "The whole deal is off."

Senator FERGUSON. And it was then, in your opinion—it is in your three reports—that the deal was called off?

Mr. FRAZURE. There is no question about it, sir.

Senator FERGUSON. Then would you say it is accurate to say that five or six refused?

Mr. FRAZURE. I wouldn't say, Senator, that they refused. I think it was a question of circumstances and a lot of things that entered into it. I believe this, I can tell you this, that in my contact with the people at Miami Beach they have been 100 percent. They have been patriotic. They stepped up and gave their buildings, and the majority of them didn't even question the price. They wanted to give their buildings to the Government and wanted to do everything they could to win this war. That goes for 98 percent of the people on the Beach that I came in contact with.

Senator FERGUSON. Did you read these editorials and statements at the time?

Mr. FRAZURE. Yes, sir.

Senator FERGUSON. Were they accurate?

Mr. FRAZURE. I wouldn't say so; no, sir. Some parts of them were accurate, yes, but I think like any newspaper articles, they possibly elaborate on a lot of points of it, but they don't cover the real thing.

Colonel KELLY. Senator, I may be able to contribute something on this. Air Force representatives were sent down here prior to the original opening of our installation. At that time General Weaver had not indicated what he had in mind ultimately opening in Miami Beach. We took over the first five hotels and started the first school as an experiment to see if it would function in hotel buildings. During the period of operation of that school Air Force representatives were also sent down again from Washington to watch the operation of the school, and also to try to get an expression of opinion as to whether they thought the hotels would be made available to the Army for the expansion of the technical training command installation; that would be the replacement training center in particular. That was the one that would be the big one.

The report was transmitted to our office by the Air Force representatives and the engineers down here, and the information was conveyed to General Weaver that it appeared that a school could be started immediately at Miami Beach—the replacement training center.

In those days General Weaver would render a decision instantly, and as soon as that report was given to him he immediately called in his personnel people and had orders sent out to the various cantonments to start shipping people to Miami Beach, and simultaneously advised our people down here to go ahead and start getting the hotels.

They realized down here, especially the representatives of the Air Forces, that the commitment was theirs, and when they started out and found out that apparently they were not going to get the hotels as quickly as they anticipated they communicated with us and asked if we would extend to them authority to proceed on a condemnation basis. After conferring with the engineers and the General Staff, it was determined that it was not an appropriate time or thing to do to attempt a mass condemnation in a city like Miami Beach. That was then conveyed to General Weaver, and he said, "How long will it take to acquire the hotels?"

Now, we could answer the question if it was going to be on a negotiated basis, so he immediately instructed us to advise our people here,

"Call the whole deal off. See what St. Petersburg can do. Otherwise, we would have to go into cantonments."

The ACTING CHAIRMAN. At that time you were in Washington?

Colonel KELLY. Yes, sir.

The ACTING CHAIRMAN. And the General had been advised that it could work?

Colonel KELLY. Yes, sir; work, and work rapidly.

The ACTING CHAIRMAN. And pursuant to that, he ordered the movement of troops?

Colonel KELLY. Troops were on the way when these papers were printed.

The ACTING CHAIRMAN. When this thing blew up, it was necessary to find accommodations for them immediately, isn't that right?

Colonel KELLY. That's right.

The ACTING CHAIRMAN. In other words, a question of 10 or 15 days' delay would have upset the program.

Colonel KELLY. Would have wrecked it all; yes, sir.

Senator FERGUSON. Do you know whether or not anyone in any departments of the Army sought the aid of the newspapers or radio?

Colonel KELLY. No, sir; I couldn't say definitely whether they had or had not. However, I believe that the hotel people and the city officials and the Army were all working together on the same project, and I can hardly imagine how any of the decisions could have been known by any one of them without having been known by all of them.

Senator FERGUSON. In other words, it becomes public property.

Colonel KELLY. Yes, sir.

Senator FERGUSON. The knowledge that you were cutting off relations.

Colonel KELLY. That was very public, and the fact that we had told our people to stop here, we wanted to be known to the public, because it was critical with us.

Mr. HALLEY. At that time, Colonel, how many hotels were needed?

Colonel KELLY. We started out on the basis, I believe, that this was to be for 4,000 more men, and ultimately on a sliding scale to move up to 30,000 men. No one in Washington was particularly familiar with how many men could be housed in Miami Beach hotels, so we had to weed that out. We were simply talking in terms of beds available and messing facilities.

Mr. HALLEY. But your immediate need was 4,000 men.

Colonel KELLY. That is my recollection; yes, sir.

Mr. HALLEY. Would that have involved a mass condemnation to provide beds for 4,000 men?

Colonel KELLY. We did not want to move 4,000 in if we could not move up to 30,000.

Mr. HALLEY. Did you have any reason to believe that given a reasonable time, you could not negotiate for 30,000 men?

Colonel KELLY. We didn't have time.

Mr. HALLEY. You didn't have 30,000 men to send in.

Colonel KELLY. Once we started sending in the 4,000 men, it would be on a program basis, and as soon as we moved 4,000 out, the whole thing works together as a stream and it ultimately had to be programmed somewhere, and we couldn't take a chance of sending 4,000

here and then find we were not going to be able to get adequate hotels for 15, 20, or 45 days.

Mr. HALLEY. Were you advised in Washington that conditions were such here that there was no expectation of concluding negotiations for 2 or 3 weeks?

Colonel KELLY. We were talking in terms of 48 hours for 4,000 men.

Mr. HALLEY. And you could have condemned for 4,000.

Colonel KELLY. We didn't want to do that. There had been no precedent for such a thing as stepping into a hotel city and condemning. I can't say offhand how many buildings we would have had to condemn to house 4,000, but it would have been startling to the city.

Mr. HALLEY. Did the Navy not condemn a great many buildings?

Colonel KELLY. Not in a mass condemnation.

Mr. HALLEY. They have acquired a great many hotels.

Colonel KELLY. Their acquisition operation is different from ours, but their hotels are in Miami, with several large ones, while this was going to be a tremendous number of small ones.

(Data referring to the Navy were marked "Exhibits Nos. 970 and 971" and are included in the appendix on p. 9033.)

Mr. HALLEY. There were several large ones available to house 4,000 men, were there not?

Colonel KELLY. Not if we had been told we could not condemn. In other words, 4,000 is what we were talking about being on the trains at that time, but we didn't even want to get them down here if we couldn't get 30,000, and we had no assurance at that time that we could get it without ultimate condemnation, which we had been told we could not use.

Mr. HALLEY. That is just the point. You had been given reason to believe that you could not successfully negotiate for the 30,000 providing you could clear the crisis on the 4,000.

Colonel KELLY. We were not justified in considering it as a specific crisis. All we could do was analyze it on the basis that, well, if that is the situation at this point, we are talking about men actually in motion in a war, and therefore maybe always we would be faced with this, that we could not negotiate over a period of time; and we couldn't take that chance.

Mr. HALLEY. You heard Mr. Frazure's testimony, did you not, just now?

Colonel KELLY. Yes.

Mr. HALLEY. Would you say on the basis of that testimony that you could conclude that you would always be faced with that problem of inability to conclude leases?

Colonel KELLY. Possibly we could have had them after the season was over.

Mr. HALLEY. And that would be in 15 days, according to Mr. Frazure's testimony.

Colonel KELLY. I don't think so.

Colonel O'BRIEN. At the original meetings, that exact question came up, and the hotel owners of Miami offered us immediate occupancy, and every owner present at those meetings—and there was a very considerable number of them—indicated that we could have them immediately. Now the question—

Senator FERGUSON (interposing). What was the meeting?

Colonel O'BRIEN. That was the meeting which was attended by——
Senator FERGUSON. What was the date of it?

Colonel O'BRIEN. It was on February 14 and 15, a series of meetings.

Senator FERGUSON. What was the date you started out, Mr. Frazure?

Mr. FRAZURE. March 19, 1942.

Senator FERGUSON. Did you contact any that had agreed to give up their hotels?

Mr. FRAZURE. Yes, sir.

Senator FERGUSON. People who had agreed back in February?

Mr. FRAZURE. I was assuming they had, because they had a meeting.

Colonel KELLY. You weren't at the February meeting.

Mr. FRAZURE. No, sir; I was not. I was not.

The ACTING CHAIRMAN. Do you have a record of the February meeting?

Colonel O'BRIEN. The notes were transcribed.

Senator FERGUSON. Were any of these property owners that Frazure named there?

Mr. FRAZURE. That was the Jefferson, the Betsy Ross, the Royal Palm, and the St. Moritz, the four I contacted on March 19.

Colonel O'BRIEN. Mr. Morris was there representing the Jefferson and St. Moritz, Mr. Hankoff representing the Royal Palm, Mr. Greenberg representing the Bancroft, and I don't see the Betsy Ross on here.

Senator FERGUSON. Three of them were present.

Colonel O'BRIEN. This was only a month previous. The question had come up, "Can't you put this off for a month, into April?" and it was indicated, "No; this is tomorrow."

Senator FERGUSON. Tomorrow or any day you said, isn't that it?

Colonel O'BRIEN. That's right.

Senator FERGUSON. In the case of these other men who reported at the same meeting, what were the names of the properties they gave?

Mr. FRAZURE. The Bancroft and the Charles are the two I remember.

Senator FERGUSON. Are they on there?

Colonel O'BRIEN. The Bancroft is on here.

Senator FERGUSON. That would make five. Now is there another? Is the Charles on these?

Colonel O'BRIEN. I don't see the Charles on here.

Senator FERGUSON. We are trying to get out whether or not there were five or six who had agreed and then refused to turn it over. Do you know of any other names, Mr. Frazure?

Mr. FRAZURE. One we called on March 18, when I came in my office at noon. I started to work and they said they wanted me right away. I went with Lieutenant Holleman and Captain Fitch to the Vanderbilt Hotel.

Senator FERGUSON. Did you get that one?

Mr. FRAZURE. They were 100 percent. Mr. Matz and Mr. Benny Gaines were 100 percent. They said, "Take anything, gentlemen, you want. It's yours." And there wasn't a question about it. Price was 100 percent—"You can have it tomorrow morning if you want it."

Senator FERGUSON. Go ahead, Colonel O'Brien. Will you file a copy of that transcript for our record?

Colonel O'BRIEN. I will have it certified.

(The transcript of meeting referred to was marked "Exhibit No. 972" and is included in the appendix on p. 9053.)

Colonel O'BRIEN. The first thing that developed was an offer from the city of Miami. Mayor Reeder announced that he had received 63 telegrams from Greater Miami hotel and apartment-house owners offering 7,000 rooms to the Army at any price the Army wanted to pay. It was further stated that 14,000 hotel and apartment-house rooms were available within easy distance of the vacant properties where the trainees might be drilled. The city of Miami expressed itself as "ready, willing, anxious, and able" to cooperate fully with either the United States Army or Navy, or both, in providing training and housing facilities.

A score of articles and editorials appeared in the local papers expressing emphatic disapproval of the action of the protesting hotel owners and pointing out that the city of Miami Beach was in imminent danger of losing the installation unless all the hotel men agreed to cooperate with the Army and accept reasonable rentals. At this point, I should like to introduce photostats of a number of these newspaper clippings which will serve to indicate the feelings of the community at this time.

(The photostats referred to were marked "Exhibits Nos. 973 to 976" and are included in the appendix on pp. 9058-9089.)

Colonel O'BRIEN. The merchants and businessmen in particular were upset over the possibility that the project would be located elsewhere since it offered the only solution to the loss of tourist trade and promised to supply a source of purchasing power which could not otherwise be obtained. In this connection, I believe it is fair to state that selection of Miami Beach as the site of the training installation has materially assisted the local merchants and businessmen and that it has resulted in an influx of revenue to the community which has, in large part, offset the former tourist trade.

At a mass meeting of the Miami Beach hotel owners, it was charged that the protesting hotels failed to live up to their agreements with Army representatives, in the hope that the War Department would liquidate their encumbrances with higher rentals. All persons present at the meeting declared that the attitude of the protesting hotels did not represent the sentiment and willingness to cooperate on the part of some three hundred other Miami Beach hotels. The following is quoted from a newspaper account dated March 23, 1943, with reference to Mr. Byron Hanks, chairman of the Dade County Defense Council:¹

In reviewing the entire situation and development of the Miami Beach Reception Center project, Hanks pointed out that hotel men of the area had met together at least four times before negotiations got under way and during all those meetings there had been only one objection. That, he said, came from officials of a hotel which had questioned the wisdom of the Army's leasing hotels instead of erecting cantonments. Later, he said, these officials were convinced of the wisdom of the Army's project, and finally there had been no objecting voice when it was announced that the Army was ready to undertake negotiations. * * *

As a result of the efforts of the great majority of Miami Beach hotel men, negotiations were reopened and the original plans to locate the training center at Miami Beach were carried to completion.

As has already been brought out, about 10 hotels had been negotiated by Army representatives prior to the breakdown in negotiations and some two hundred, roughly, were subsequently negotiated.

Senator FERGUSON. Have you the method of arriving at the prices? What was the yardstick used?

¹ Exhibit No. 962, appendix, p. 9023.

Colonel O'BRIEN. Senator, we have the appraisals that were given us by the civilian committee.

Senator FERGUSON. All right. When you got an appraisal, that would have one figure in it.

Colonel O'BRIEN. Two figures.

Senator FERGUSON. What were they?

Colonel O'BRIEN. The over-all valuation and the rental value.

Senator FERGUSON. Both rental value and over-all valuation?

Colonel O'BRIEN. That's right.

Senator FERGUSON. Now, the committee would recommend a certain rental and give you the total value?

Colonel O'BRIEN. That's right.

Senator FERGUSON. Is that what you would offer?

Colonel O'BRIEN. No, sir.

Senator FERGUSON. Now, what was the yardstick?

Colonel O'BRIEN. The yardstick was simply this. When the appraisals came in, they would show the land value, improvements, furniture, equipment, and other values. Then they took their percentages, 6 percent on the total, 2 percent for improvements, 10 percent for furniture, 16 percent for equipment. But we had to depart from these appraisals, for this reason: This appraisal, the over-all valuation, and the rental that was proposed, was based on the complete installation. We moved out a great deal of the furniture, with the exception of basic items, such as dressers, and some chairs. The amount of furniture varied. In other instances there were changes of equipment. One hotel didn't wish the Army to use its kitchen equipment and the entire equipment was moved out.

Senator FERGUSON. Then, would you pay the 6 percent and the 2 percent, but you wouldn't pay the 16 percent?

Colonel O'BRIEN. No, sir.

Senator FERGUSON. If that was true—

Colonel O'BRIEN. That's right.

Senator FERGUSON. But you would pay the actual appraised value that the real-estate men gave you?

Colonel O'BRIEN. To the very best of our ability after making those adjustments, Senator, and the yardstick that was formulated averages about 11 percent of the appraised fee valuation.

Senator FERGUSON. Eleven percent on the appraisal given by this board?

Colonel O'BRIEN. That's right. Now, that varied. The Surf Club is considerably under that, because the Surf Club was—

Senator FERGUSON. Practically all public space.

Colonel O'BRIEN. That's right, and all those facts had to be taken into consideration. We think the appraisals submitted by that group are sound, and we think our figures as prepared by our project office people, based on what the Army was going to use out of the properties appraised, are likewise sound. Some of these appraisals run as high as 15 percent, the absolute maximum that the War Department is authorized to pay.

Mr. HALLEY. Do you have in the case of each hotel, Colonel O'Brien, a worksheet showing how the price was arrived at?

Colonel O'BRIEN. So far as the actual appraisal is concerned, and finally our own final figure. There is no break-down showing that so much furniture was removed, and so on.

Mr. HALLEY. You have first the appraisal which was made up by the real estate board here of the citizens committee, is that right?

Colonel O'BRIEN. Yes, sir.

Mr. HALLEY. And you have a figure which shows the rent you paid. You have no other figures in your file?

Colonel O'BRIEN. No, sir.

Mr. HALLEY. Were you here at the time of these negotiations?

Colonel O'BRIEN. On and off. I was through here; yes, sir.

Mr. HALLEY. Are you in a position to say that the persons actually making the offers made them on the basis of some definite formula?

Colonel O'BRIEN. Yes, sir; on the basis of the valuations as established here, less whatever was moved in or out of those hotels.

Mr. HALLEY. Wouldn't it have been simple enough to make a notation showing which elements were being disallowed because of other circumstances?

Colonel O'BRIEN. Yes, sir; if we had an opportunity to repeat this leasing of some 500 hotels, we would have the complete worksheet that the man used at his desk in figuring out the difference in these valuations.

Mr. HALLEY. Do you know as a fact that there ever was such a worksheet and that it was thrown into the wastebasket? Do you feel that you have sufficient information for yourself to be morally certain that these figures were not pulled out of a hat, to use a colloquialism, but were actually arrived at by some mathematical computation.

Colonel O'BRIEN. Yes; and to bear me out in that and in my contention that these appraisals were very carefully reviewed, we have countless appraisals that were gone over, where we went over the rentals.

Mr. HALLEY. And in each case was the appraiser by memory able to tell you how he arrived at the final figure?

Colonel O'BRIEN. No, sir; this appraisal was taken over to the hotel by Fitch and his people and checked as to what was coming in, what kitchen equipment was to be removed, and so on.

Mr. HALLEY. Don't you think it is a bit peculiar, then, that in no case has a work sheet remained in the file to show how the figure was arrived at?

Colonel O'BRIEN. I don't, because the variations here, ordinarily, except where entire kitchen installations were moved out or something like that, were ordinarily very small. They ranged from a 9-percent level, from 9.5 to 13 percent.

Mr. HALLEY. In how many instances were kitchen installations actually removed?

Colonel O'BRIEN. Parts of kitchen installations were removed in a large number of hotels.

Mr. HALLEY. At the request of the owner?

Colonel O'BRIEN. Either the owner or the Army. It made no difference. We didn't propose to pay on equipment that had been removed at our request or their request.

The ACTING CHAIRMAN. If you took over a hotel and decided not to use the kitchens, the dining room, or certain other public rooms in the hotel, you deducted that in computing the rent from the total appraised valuation of the hotel, the amount of space not used, which you did not elect to use.

Colonel O'BRIEN. That's right. There were one or two exceptional cases. Usually it was the actual removal of equipment rather than setting aside space. If you want these appraisals, we are willing to submit the sheets in each instance. We have worked up an average—an average down here which is 11 percent, and I might say that the average paid on similar facilities throughout the United States is just about at that figure.

Senator FERGUSON. If I might interrupt here, I would like to have you produce one of these exhibits offered in evidence this morning, an article in the Miami Beach Daily Tropics for March 23. The heading is, "City asks air unit be kept here," and they quote, "General official statement follows," quoting General Wooten.¹ Have you got the original of that statement?

Colonel KELLY. No, sir; we did not have that in Washington. That was issued locally by General Wooten.

Senator FERGUSON. Then do I understand that what you mean here tonight is that you don't find in the official files in Washington any statements issued? You have not examined the general's private files to see whether any were issued here?

Colonel KELLY. No, sir; because we understood this to be a matter of public record. This was not a statement that the general was advised by Washington to issue, but the general had been told by Washington that he was to stop, and since so much progress had already been made, or at least so much activity had taken place, I presume just from the general status in the city, he could hardly avoid making the statement.

The ACTING CHAIRMAN. You mean this statement, in all probability, was made verbally and not reduced to writing?

Colonel KELLY. I wouldn't know about that.

The ACTING CHAIRMAN. Do you have any record to indicate it was reduced to writing and issued as a formal press release?

Colonel KELLY. No, sir.

The ACTING CHAIRMAN. The paper here simply quotes the general; it doesn't say it was a press release.

Colonel KELLY. Yes, sir.

Senator FERGUSON. But it also used the words "official statement."

Colonel KELLY. Yes, sir; but how he made it, I don't know.

Senator FERGUSON. You notice he said:²

A small number, however, have attempted to charge unreasonable rates for the use of their facilities, after indicating they would accept on the same basis as the others.

Now, isn't that a basis for these editorials?

Colonel KELLY. It could be a basis for the editorials.

Senator FERGUSON. Then it says, "What price patriotism?" You have an editorial on the same page.

Colonel KELLY. I think it logically follows that when the city anticipated receiving this installation, when the War Department's decision had been made, based upon previous inquiries made here, and had started the activities, and then the officers of the War Department that were down here were advised by Washington to stop that,

¹ See Exhibit No. 967, appendix, p. 9027.

² Ibid, p. 9028.

the newspaper, the merchants, hotel operators, and everybody else would be very much concerned as to what had happened.

Senator FERGUSON. In other words, you would boil it down to this: That these men met, offered their property, the other gentlemen with Mr. Frazure went to get them and couldn't get them.

Colonel KELLY. Yes, sir.

Senator FERGUSON. And then the general issued a statement to that effect, and the newspapers followed it up by editorials and copy.

Colonel KELLY. Yes, sir.

Senator FERGUSON. And then the citizens held meetings and asked that they reconsider that, and that they get the property.

Colonel KELLY. Yes, sir.

Senator FERGUSON. You may proceed, Colonel.

Colonel O'BRIEN. As a result of the efforts of the great majority of Miami Beach hotel men, negotiations were reopened and the original plans to locate the training center at Miami Beach were carried to completion.

On April 5, 1942, a telegraphic protest was addressed to the President of the United States by an organization known as the Hotel Owners of North Beach, charging that the Army was proceeding arbitrarily, unfairly, and in a confiscatory manner. This protest was vigorously repudiated by a large number of hotel owners, including the Miami Beach Hotel Association.

(The document referred to was marked "Exhibit No. 977" and is included in the appendix on p. 9089.)

Senator FERGUSON. Did you say North Beach?

Colonel O'BRIEN. Yes, sir.

The ACTING CHAIRMAN. What is the definition of North Beach?

Colonel O'BRIEN. I don't know.

Senator FERGUSON. Where is it on this map?

Mr. WEIL. It is north of Twenty-ninth Street, for your information.

The ACTING CHAIRMAN. Thank you.

Colonel O'BRIEN. That telegram has been offered for the record.

It was indicated that the North Beach Hotel Owners' committee in no way represented the views of the community of Miami Beach and expressed confidence in the fine work being done by the War Department representatives on the project. All of these owners and the association expressed themselves as willing and anxious to place their facilities at the Army's disposal and to help in any way possible. A number of letters from prominent hotel owners were voluntarily addressed to the War Department representatives, expressing confidence in the manner in which the negotiations and leases were being carried out and offering to place their facilities at the War Department's disposal immediately. Among others, communications were received from the Shoremede Hotel, the Lord Tarleton Hotel, and the Miami Beach Hotel Association. I should like to introduce copies of the letters and to quote the following paragraph from the hotel association letter:

Now, therefore, the Miami Beach Hotel Association, whose membership embraces all sections of Miami Beach and—

Senator FERGUSON. Does that include North Miami Beach?

Colonel O'BRIEN. Yes, sir; I assume. They say so here, Senator: and which had no knowledge of the aforesaid telegram being sent until Saturday, April 25, wishes to go on record as being unalterably opposed to the sentiments set forth therein, and to express its confidence in the fine work being done by the United States Army officials at Miami Beach.

(The document referred to was marked "Exhibit No. 978" and is included in the appendix on p. 9090.)

Colonel O'BRIEN. A conference attended by General Wooten, Major Fitch, Mayor Val C. Cleary, Mr. H. S. Hinkel, and a number of other representatives of the hotel men and the Army on April 25, 1942, clarified the situation, and on May 15, 1942, Mr. Hinkel, representing the North Beach Hotel group, requested General Wooten to disregard the protesting telegram which the group had sent to the President and to consider the episode a closed matter. Mr. Hinkel advised General Wooten that the fears of many hotel owners had no basis in fact and were induced by rumors or misinformation as to details of leases negotiated by the Army.

Because of the necessity for obtaining immediate possession, in order to accommodate troops who were arriving by the thousands, it was found necessary to utilize an option form whereby the owners offered to lease their property to the Government. An "occupation permit" was also drafted, granting the Government the right to enter upon the premises as of a certain date. These forms were presented to the hotel owners, and pertinent details concerning negotiation of the proposed lease were discussed before signing the option.

A number of statements have been made regarding the blockading and barricading of streets. In every instance this was done only after a formal permit had been obtained from the city authorities, who were in complete agreement that such action would be necessary to prevent the large number of troops using the street from being run down by vehicular traffic. In no instance were the streets barricaded in such a manner that pedestrians were denied ingress or egress to the hotels they were occupying.

(The document referred to was marked "Exhibit No. 979" and is included in the appendix on p. 9091.)

Colonel O'BRIEN. It was established as a matter of general policy that no luxury items, including overstuffed furniture, drapes, paintings, rugs, lamps, and so forth, were to be left in the hotels when the Army took over. Consequently, it was necessary for the hotel owners to remove such articles and store them for the duration of the Army's occupancy. The Army agreed to restore the premises to their condition at the time of occupancy less ordinary wear and tear, and condition reports were made. Where the owners disagreed with the condition reports, their exceptions were made a part of the report. Inventories of personal property were made by the War Department, together with the lessors or their representatives, which reports were attested to by both parties.

Because of the exigencies of the situation, it was impossible for the War Department to make condition reports in all cases before the hotels were occupied by trainees. However, every effort was made to prepare these reports as promptly as possible. At the time of inactivation, the original condition reports were used as a guide in estimating the condition of the premises at the time they were made, but

if any question arose as to who was responsible for a given item of damage, the owner was given the benefit of the doubt.

When any question arose, the post engineer made every effort to determine whether the damage was caused by the Army or existed prior to the occupancy of the Army. Where there have been doubts—and there have been doubts in many instances—I am informed by Major Mays that that doubt is resolved in favor of the owner.

The War Department has found that in all types of acquisition the establishment of valuations presents more complicated and involved problems than any other phase of the program. As a result, it has been necessary to devote a great deal of time and thought to the formulation of methods and policies governing appraisals in general and valuations of special purpose facilities, such as hotels in particular.

In connection with the Miami Beach Hotel installation, the War Department utilized the services of a number of local civilian real-estate experts who were thoroughly familiar with Miami Beach values. Forty-seven of these experts formed a civilian appraisal committee, which prepared the majority of appraisals used on this project.

It may be safely asserted that no organization has ever before been faced with as immense an acquisition program as the present one, nor has any agency ever had to assume such a volume of appraisal work, presenting many novel features. The War Department is indebted to the local real-estate men who assisted in the leasing of over 348 hotels in Miami Beach and without whose assistance it would have been impossible to carry out the appraisal phases of the program. These men were rushed, it is true, but nevertheless, a thorough review of their appraisals discloses that they were sound and would stand up under the closest scrutiny.

As the appraisals were completed, the War Department representatives used them as a basic guide to determine the rental which could be paid for individual properties. It is obvious that the War Department could not adhere, in all instances, to the appraisals submitted by the civilian committee, since furnishings and other equipment were often removed, either at the request of the War Department or the owner, thus reducing the valuation of the particular property.

When the maximum rental, based on the appraisals and other factors, had been established, negotiations with the property owners were undertaken. It is believed that under prevailing conditions and the circumstances then existing, the rentals in the majority of cases not only covered so-called fixed charges, but allowed a reasonable return to the owner.

In this connection, your attention is invited to an unsolicited letter dated April 15, 1942, signed by 12 members of the civilian committee, which was inquired into this morning:

We have assisted you and other Government representatives in the optioning or leasing of more than 100 hotels, and also other required properties, including restaurants. We are pleased that the work has moved so smoothly. With very few exceptions the owners of the properties optioned or leased have been agreeable to the offered lease price, clearly indicating the fairness of the price being offered by the Government and the desire of the people of this area to cooperate with the Army Air Corps.

(The document referred to was marked "Exhibit No. 980" and is included in the appendix on p. 9091.)

Colonel O'BRIEN. We feel that particular emphasis should be given to this letter, inasmuch as it reflects the opinion of the local committee with regard to the rentals actually paid, upon the basis of their own appraisals. We should also like to call attention to a recent advertisement which appeared in a local newspaper offering as attractive investments hotel properties presently under lease to the War Department.¹

Senator FERGUSON. Do you have those advertisements?

Colonel O'BRIEN. Yes, sir. [Handing documents to Senator Ferguson.]

In considering this general problem, it must be borne in mind that it is rarely possible to compare two properties, particularly since the furnishings and equipment retained in almost identical hotels often varied.

A review of the leases taken by the Government at Miami Beach discloses that the average ratio between the rental paid and the appraised value did not vary more than 2 percent.

At St. Petersburg the War Department's rentals were based on assessed values. It was not considered necessary to make appraisals, because the assessed valuations were in compliance with the so-called 100-percent law and were found to be reliable. At Daytona Beach it was necessary to make appraisals and the War Department retained local real-estate authorities who were familiar with Daytona Beach property values.

In view of the fact that most real-estate experts consider a variation of 10 percent as normal in all types of appraisals, it is felt that the variations in rentals offered by the War Department, not only in Miami Beach but in other localities where hotels were occupied for training purposes, are exceptionally low.

I should like to observe at this point that the Department of Justice requires all departments to treat valuation data as confidential, since it is impossible to tell when it may be necessary to utilize such data in connection with the prosecution of condemnation actions. It is for this reason, and not because of military secrecy, that the Government refuses to make its appraisals public or discuss them with the owners.

(The documents referred to were marked "Exhibits Nos. 981 and 982" and are included in the appendix on pp. 9092-9100.)

Colonel O'BRIEN. The practice of negotiating with property owners was required under well-established policies repeatedly reviewed by Congress to the effect that owners should be afforded an opportunity to negotiate prior to the filing of declarations of taking in condemnation proceedings.

(The document referred to was marked "Exhibit No. 983" and is included in the appendix on p. 9112.)

Colonel O'BRIEN. As a result of these negotiations, it was not found necessary to resort to condemnation except in three instances. This fact demonstrates that the Government's terms were acceptable to the great majority of property owners.

¹ See Exhibit No. 984, appendix, 9113.

Mr. HALLEY. I fail to follow you there, if I may interrupt. You say the policy was to offer the owner an opportunity to make a lease, but otherwise the policy would be to condemn?

Colonel O'BRIEN. That is correct.

Mr. HALLEY. I understood from a meeting in Washington, you and I and Mr. Peterson, that the policy was to avoid condemnation at all costs. I also understood from your earlier testimony tonight that the policy was to avoid what you call mass condemnation.

Colonel O'BRIEN. That is correct.

Mr. HALLEY. I don't quite reconcile that statement with the one you just made, that the policy was simply to offer the owner a chance to negotiate before condemning.

Colonel O'BRIEN. The question has been raised as to why we didn't come in here and file a mass condemnation proceeding: We didn't do it, because we were assured by Miami Beach property owners and citizens that it wouldn't be necessary.

Mr. HALLEY. But you felt at a later point that it would be necessary.

Colonel O'BRIEN. I didn't say that. I said it is the policy of the War Department to invariably attempt to afford the owner opportunity to negotiate prior to filing declaration of taking.

Mr. HALLEY. But then, it is the policy to file the declaration of condemnation?

Colonel O'BRIEN. Where the owner and the Government are in complete disagreement as to price, it is the policy to file declaration of taking.

Mr. HALLEY. But you stated earlier that when you felt there could be no meeting of the minds in this case, condemnation was out of the question, and you sought another solution by moving elsewhere.

Colonel O'BRIEN. That is a matter of policy on the part of the Air Forces and has nothing to do with our general condemnation policies. They decided they didn't want to attempt that in view of the resistance they were facing down here.

A serious matter of policy is raised when you come into an area this size and start condemning every hotel. Our general condemnation policy has been in effect since February 1941, and has been used in every kind of acquisition, leasing, camps, airfields, and everything.

The ACTING CHAIRMAN. Is this what you are driving at, that what you just stated was the general policy with regard to property acquisition, but in the case of Miami Beach, it was felt that the condemnation was not a good plan here, and you preferred to go elsewhere rather than go into condemnation in Miami Beach?

Colonel O'BRIEN. That is correct. I know of no instance where the Department, knowing it would meet with absolute resistance, would go through with a project if it possibly could be located elsewhere.

Senator FERGUSON. Under condemnation proceedings, you could have had possession immediately?

Colonel O'BRIEN. Yes, sir.

Senator FERGUSON. Then your condemnation would have followed in the natural course; is that right?

Colonel O'BRIEN. The practice varies, as you probably know, Senator. Some of the courts allow us possession immediately upon filing, under the so-called War Powers Act. In other courts, the judge has

refused us possession for a period of 15 to 30 days, and we have had to resort to the statutory authority of the Secretary to take possession. In Seattle the War Department authorities were up for contempt of court for following that practice.

Senator FERGUSON. Was that the reason you didn't ask for condemnation, that you feared what might happen in such a large scale?

Colonel O'BRIEN. That is correct; yes, sir. The Air Forces conferred with the engineers' office when this situation developed down here, and we recommended strongly against attempting to condemn several hundred hotels.

Senator FERGUSON. You offered these ads—were they all on 1 day?

Colonel O'BRIEN. They were all in last Sunday's paper.

Senator FERGUSON. That is the ad as it appeared in the paper?

Colonel O'BRIEN. That is right.

The ACTING CHAIRMAN. Do you know of any others?

Colonel O'BRIEN. I just happened to see that and cut it out.

The ACTING CHAIRMAN. Do you know what paper that was in?

Colonel O'BRIEN. That is the Tropics, I think.

(Photostat of the advertisement referred to was marked "Exhibit No. 984" and is included in the appendix on p. 9113.)

The ACTING CHAIRMAN. One other question: At the time this was going on—I am asking just for information, as a matter of fact—wasn't there considerable bidding going on among the cities to get the location of these training centers?

Colonel O'BRIEN. Practically all the resort areas were coming into Washington asking for consideration. The air forces had representatives out inspecting locations up and down the east and west coasts, as far north as Lake Placid, and all the way around and up through the west coast.

The ACTING CHAIRMAN. What I am getting at was that there was enough apparent evidence of competition for sites so that it would have been preferable to go some place else.

Colonel O'BRIEN. That's right.

The ACTING CHAIRMAN. This paper is rather significant, I think.

Colonel O'BRIEN. Miami was offering us an invitation.

The ACTING CHAIRMAN. That was from a Miami paper, not Miami Beach?

Go ahead.

Colonel O'BRIEN. All leases contained a 30-day cancelation clause. This was necessary, since the Government could not predict the duration of the need for leased facilities. In the event that a change in the training program rendered it impracticable to continue the training-command installations, the Government had to be in a position to vacate the premises; otherwise the War Department would have been subjected to justifiable criticism for maintaining vacant leased facilities, the need for which no longer existed.

The leasing of the first group of hotels in February, March, and April 1942, was based upon estimated housing requirements for a maximum of 30,000 men—10,000 of whom were to arrive in Miami Beach by April 15. A real-estate project office was established and a staff of employees was organized to handle the details of the acquisition. A total of over 125 hotels had been taken over by June 1, 1942. In addition, a great number of service facilities, such as garages, theaters, restaurants, warehouses, exhibition halls, parking lots, and ath-

letic fields were obtained, bringing the total number of leases to well over 500. On March 31, 1942, the air forces advised the Chief of Engineers that, for the time being, the total number of Army Air Forces personnel to be stationed in the vicinity of Miami Beach, Fla., would not exceed 20,000 men. However, as of August 1, 1942, 137 hotels had been leased to house a unit of more than 31,000 men.

In the summer of 1942 the Army Air Forces determined that it would be necessary to again increase the Miami Beach technical training command installation. This second activation, which was completed between October 1942 and the end of the year, added close to 200 hotels to those previously leased, for a total of 348 hotels taken over at the height of the Miami Beach training program. At the peak of the program a total of more than 78,000 men were accommodated in these facilities.

The ACTING CHAIRMAN. That was for Army air forces alone in the Miami Beach area or Miami and the beach?

Colonel O'BRIEN. Miami Beach.

Colonel KELLY. As a matter of fact, there was one point when we had 89,700 men in the city. That was by crowding, and definitely not desired by the Air Forces, but we had been threatened by epidemics in the North, and to get the men out of the epidemic areas we moved them to Miami Beach on a temporary basis, and that brought them up to 89,740.

The ACTING CHAIRMAN. How many technical, administrative schools are you operating aside from the one at Miami Beach?

Colonel KELLY. I believe there were four.

The ACTING CHAIRMAN. Is this the largest one?

Colonel KELLY. Yes, sir; I think it is the largest installation in the country now.

The ACTING CHAIRMAN. Can you furnish the committee with the maximum number of men you had here during the period up to January 1 and the average number of men you had here, men and officers?

Colonel O'BRIEN. I would like to suggest that we also offer the total number of men that have gone through. We would like to submit that as an exhibit in view of the facts involved.

The ACTING CHAIRMAN. Also the amount of money expended in pay.

Colonel KELLY. You mean paid to the Army?

The ACTING CHAIRMAN. Yes, sir.

(The document referred to was marked "Exhibit No. 985" and is included in the appendix on p. 9114.)

Senator FERGUSON. Will you furnish the rentals during the period?

(The document referred to was marked "Exhibit No. 986" and is included in the appendix on p. 9115.)

The ACTING CHAIRMAN. That is what I say, pay and rentals in separate figures.

Colonel O'BRIEN. Yes, sir; we can give you that information.

At the time of the proposed expansion many owners whose hotels had not been included in the initial group taken over by the Government were offering their property to the War Department. Local civic leaders and delegations of hotel owners visited Washington during the summer in an effort to speed the expansion of the Army's training program at Miami Beach, which would result in the leasing of additional hotels in the community. In general, these groups expressed a desire to obtain leases on the remaining facilities on a com-

parable basis to those taken over in the first activation. During the resulting expansion of the hotel program a civilian liaison committee was established to assist the War Department in negotiating the additional leases.

I have a complete statement disclosing the hotels, room capacities, appraisal valuations, annual rental, and cost of maintenance, operation, repairs, and utilities.

(The documents referred to were market "Exhibits Nos. 987 and 988" and are included in the appendix on pp. 9115 and 9119.)

Colonel O'BRIEN. By the end of spring in 1943 it became apparent that the War Department would be able to taper off its program for the temporary use of hotels and the other civilian properties which had been utilized for housing of troops.

The ACTING CHAIRMAN. When was your peak personnel, about?

Colonel O'BRIEN. It was in February of '43.

When the hotels were originally taken over, it was believed that they would be filled to capacity for a considerable period of time. However, the training program was greatly accelerated by reason of certain factors: (1) It was found that men could be assimilated and trained in greater numbers than had been anticipated and consequently the rate of induction of Air Force trainees could be increased to a figure in excess of that originally anticipated. Thus, the training peak was of shorter duration than was first scheduled. (2) With the passage of time, large numbers of air units moved overseas from the flying fields and stations where they had received their training, and installations at which these troops had been quartered were thus released for occupation by the units theretofore stationed in hotels throughout the country, including, of course, Miami Beach. (3) The allotment of inductees to the Army Air Forces has been materially reduced in recent months.

The ACTING CHAIRMAN. In other words, in moving into those fields, you were moving into Government-owned quarters, barracks, out of leased buildings into barracks?

Colonel O'BRIEN. That is correct.

After a thorough consideration of all the factors involved, the Army Air Forces determined that it was necessary to retain certain hotels at Miami Beach for the time being and to evacuate the rest as promptly as possible. This decision was based largely on the fact that Miami Beach was superior for training purposes to all other sites where hotels were being utilized. The location in Florida was obviously better for all-year-round work than New Jersey, Illinois, or Michigan. Moreover, for administrative purposes it was found obviously more efficient to retain one installation of considerable size than to keep small groups of hotels in two or more localities.

On June 19, 1943, the War Department announced that 109 out of the three hundred and forty-odd hotel leases at Miami Beach would be canceled at once. As in the case of the original selection of hotels, the actual decision as to which facilities could best be given up was made by the Army Air Forces. The decision in each case is based primarily on considerations of economy, adaptability for military use, convenience to training facilities, and integration within the installation as a whole.

While protests against the partial evacuation were received from all of the communities affected, on the whole the hotel owners and other interested parties have been most cooperative and have assisted the War Department in accomplishing the training program in every possible manner. For this the Army owes the city of Miami Beach a debt of gratitude, and it must be a source of satisfaction for the citizens of this community to know that they have materially contributed to the war effort.

You have before you, gentlemen, a map indicating all the properties that were under lease. Those that are marked in yellow are still under lease, and those that are marked in red have been surrendered. You see the gradual——

The ACTING CHAIRMAN (interposing). What is the green?

Colonel O'BRIEN. Those are drill areas. You see a gradual decrease of installations having been surrendered as they came down to centralize around the present distribution center.

Colonel KELLY. As the strength of the training command has been reduced, and as the commanding general of the training command was advised that at intervals it would be necessary to drop property no longer required, it appears at times when you get these segregated areas here, as if they are very isolated. However, in determining what properties would be retained and what would be abandoned, certain properties are definitely more desirable than others. For example, generally speaking, a larger building is more desirable than a small one. However, in certain of these hotel situations here, there will be a hotel with very small messing facilities and a nearby hotel will be a key hotel for messing facilities, and units in general are stationed in these buildings, rather than just persons, and it is very difficult in many cases to say, "Well, you will give up a particular building," because it might fit into an entire scheme of supply and administration and messing, and so on, and it either could or could not be given up to advantage. Therefore, General Krogstad here has attempted to work this out on the basis of recommending to headquarters, Army Air Forces, certain hotels that in his opinion could be released.

There have been three major evacuations in the city: One was in November, when we dropped 13,000, and the other was on January 1, when we dropped 28 or 29. And generally speaking, the method of ultimate selection of what we will retain is based upon the recommendations of the commanding general of the training center here, with consideration being given, insofar as possible, to those cases of hotel owners who have indicated to the headquarters of the air forces, either directly or through members of Congress, or through the training command, that they would like their hotels back, because some persons do want them and some do not want them.

By coordination of those various conditions, the final decision is made by the office of the commanding general of the Air Forces as to what hotels will and will not be retained.

The Acting CHAIRMAN. I notice up here you have some isolated yellow areas.

Colonel KELLY. We have up here in one group a medical center. That is an entirely independent unit.

Senator FERGUSON. Is that medical in the rear of that building?

Colonel KELLY. Colonel O'Brien thinks that might be the Intelligence reservation.

Colonel O'BRIEN. That is a separate installation. That is a hospital over here. [Referring to map.]

Colonel KELLY. And a motor pool is over here.

Major MAYS. That's right.

Colonel KELLY. The hotel under discussion this morning, the Flamingo—we had three hotels set aside for the Air Transport Command for the housing of some of their processing, and last November we asked them to make certain that they needed them, and they said they would give up the Flamingo. So we gave it up, and the Navy took it over.

Mr. HALLEY. On that subject, Colonel, the committee has been advised of some hotels which allegedly have been empty and not used by the Army for some months, but which have not yet been turned over.¹ Can you make a statement with reference to that?

Colonel KELLY. Yes; we can. We have received those same communications and been advised that hotels have been empty, and yet here is a situation that the training command—or, rather, the training center here operates under the training command. It is from here that a great number of our technical training people come, the ground Air Forces, you might say. This installation at Miami Beach is periodically advised by the commanding general of the training command at Fort Worth that on such and such a date he will be allocated some hundreds of men, and it is necessary for him to retain facilities and have them available here, and it is only good judgment for him also to carry a small additional percentage to take care of those figures. The training command at Fort Worth is, in turn, dependent upon the personnel supplied to it through the Assistant Chief of Air Staff for Personnel in Washington, who must determine how many he is going to allocate at particular times to the training command, flying and technical, and to the air-service command, matériel command, and all the balance of the Air Forces.

This is only one part of the Air Forces. Still, in turn, the Air Forces are dependent upon the War Department General Staff for the personnel assigned to it. Again, the War Department General Staff is dependent upon the functioning of the selective service to receive the number of men it is assured it will receive.

Now, it is apparent that if any one of those steps changes during a period after a commitment has been made to a subordinate echelon, it is going to be definitely reflected here. I am not allowed to make public any figures or percentages. However, they are available to the committee in executive session. But in general, the situation is this, that the Air Forces were promised men on the basis of anticipated needs, turn-over. Those all substantially change from what had been anticipated. They are naturally conditional commitments depending on how the war is moving. Selective Service definitely in the past 90 days has not received the number of men that it had anticipated, and that it had assured the General Staff that it would turn over to them. Consequently, the whole thing has slid down, and we do not have as many men now for our technical training command as we had 90 days ago anticipated. As a consequence, vacancies occur.

¹ In this connection see *supra*, p. 8673.

I have been told by hotel owners and attorneys of these instances of hotels that have stood for weeks vacant in Miami Beach. I am not in a position to say whether they have or have not. I know of two hotels that I was told about 2 days before I left Washington. Upon my arrival here, I went immediately to those hotels. I also went to General Krogstad's office and asked to see the housing reports on those buildings over the period of the past 90 days. One building which I had been told had been vacant has not been less than 47-percent occupied in the past 90 days. That is, the beds have not dropped below that. In addition, the public space has been used for administrative purposes. Now, a person standing outside on the street can't determine that. In addition, certain buildings—for example, buildings in which we are to house WAC's. The War Department has directed us not to put WAC's in any buildings in Miami Beach that cannot be heated, and there are many buildings here that have no heating facilities. So, therefore, we are limited in our selection of hotels for them. The number of WAC's for example, that we have been told we would get we have not gotten.

Senator FERGUSON. How many WAC's have you in Miami Beach?

Colonel KELLY. I think there are only 79. I don't know the total number in the city. The building in question has 79 in it, which is 47 percent of the total they had anticipated housing in that building.

Take a key mess hall. For example, we have in some of these hotels facilities for feeding 1,300 persons at 1 meal. Now, maybe the hotel across the street from it has no dining room facilities whatsoever. The population, the unit in there, may have been moved out at a particular time.

The ACTING CHAIRMAN. You mean the one that has messing facilities?

Colonel KELLY. No, sir; the one across the street that has no messing facilities. The units in there may have moved out, left the city, and the building was scheduled to receive additional people; they didn't arrive, so the building will stand there vacant in anticipation of the arrival of all the echelons that indicated they would come. If, on the date we were given full assurance regarding, we would never get the number of people we had anticipated, then we would have surplus hotels. And that was what happened that motivated the release of the group on September 30. But the matter of what hotel to keep and what to release is definitely a complex procedure.

Colonel O'BRIEN. To resume: In November 1943, the Army Air Forces found it advisable to release an additional 13 hotels at Miami Beach. As in the case of the first inactivation the facilities were turned back to their owners because troop movements overseas and reduced allocation of inductees rendered it impracticable to continue occupancy of the establishments.

The third inactivation of 28 hotels and apartments announced January 1, 1944, was based upon the same considerations as the earlier ones. The War Department has been criticized for retaining vacant hotels, and it has been suggested that such establishments should have been returned to their owners at once. This could not be done. While it is true that some of the hotels have not been completely occupied at various times, this was not due to poor planning or failure to return the hotels to their owners promptly. The commanding officer had to be

prepared at all times to house large detachments of incoming trainees, arriving on short notice, and the vacant hotels represented the "cushion" which was required to accommodate peak loads.

As has been previously pointed out, the various inactivations of the hotel program were effected through the 30-day-cancellation clause contained in all leases. Arrangements were made to notify owners as promptly as possible, and attention was called to the provisions of the lease requiring that the Government retore the facilities.

I might say that we have had instances where—if I may speak off the record?

(Off the record.)

Colonel O'BRIEN. In the large inactivations some difficulty was had where owners overtaxed the capacity of War Department personnel by making unreasonable demands for the immediate inspection of surrendered hotel premises. The insistence on the part of these owners that their properties be returned immediately handicapped the Army, since there was insufficient time in which to prepare condition reports, clean up the premises, and negotiate restoration agreements. However, in most instances the owners were most cooperative.

In making the inspections representatives of the post engineer accompanied the owners and were instructed to prepare estimates of the items requiring restoration. These estimates were to include all ascertainable damage, destruction, loss, replacement, and repair, under the terms of the Government's contract, excluding only ordinary wear and tear. The cost of restoring was to be estimated on the basis of work at today's prices by private contractor. It was suggested that each owner employ experts to prepare his estimate of items requiring restoration.

(Copy of Comptroller General's decisions re items not recom-pensable was marked "Exhibit No. 989" and is included in the appendix on p. 9127.)

Colonel O'BRIEN. Following completion of the estimates, negotiations were had with the owner or his designated representatives. The War Department instructions provided that, in addition to the cost of restoration of the premises, the owner should be paid rental at the contract rate for the estimated period required to restore the premises, whether the work was to be done by the War Department or by the owner. Where the War Department had replaced the owner's kitchen or other equipment, it was also required that, if desired by the owner, the replacement should be left in substitution for equipment removed. Where the premises had been altered, the owner was given the alternative of having the benefit of the alteration in lieu of restoration or could require that the premises be restored to their original condition. Where the owners could establish to the satisfaction of the post engineer that storage facilities on the premises had been broken into, payment was made for any furnishings or other property damaged, lost, or otherwise missing.

The War Department made every effort to assist owners in securing priorities, and they were made available wherever the War Production Board would approve their issuance. All procedures were designed to leave the hotel owner in possession of premises in the same condition as when taken over by the Army.

I might say that we have made arrangements so that immediately upon the signing of the supplemental voucher, cash payments can be paid.

The request for the appointment of an arbitration board or committee to settle differences was rejected in view of prevailing statutes and the Comptroller General's decisions prohibiting the settlement of claims through such arbitration boards. The Comptroller General has also held that the Government may not amend a lease, save in instances where an additional consideration moves to the United States. In other words, once having entered into a lease, the War Department could not amend it to increase the amount of payment to the property owner unless the Government received an additional benefit thereby. When the owner and the Government were able to arrive at a satisfactory settlement, supplemental agreements and vouchers were executed and payment was made immediately. However, the owner was given an alternative of refusing to accept the proposed settlement, in which event the War Department undertook to restore the premises to the best of its ability. In all such cases in the Miami area the owners were satisfied and full releases were obtained.

I should like to clarify at this point a misunderstanding which seems to have arisen regarding these settlements. While the representatives of the War Department were authorized to enter into settlements in an amount up to \$10,000, all restoration agreements over that amount have to be approved by the Office of the Chief of Engineers in Washington. This approval is merely an administrative requirement, and no question of congressional approval or statutory authority for settlements in excess of \$10,000 is involved.

There also seems to be some confusion as to what constitutes a claim. The cash payments made by the Army were not claims, but were settlements in lieu of physical restoration and were consummated by supplemental agreements to the leases. These supplemental agreements included clauses waiving all future claims for damages. The settlement of restoration problems through use of these supplemental agreements must be distinguished from the submission of claims by land owners who are not satisfied with the amounts offered them by the Government, or who claim that the restoration jobs done by the War Department are not satisfactory. In such cases, a formal claim must be submitted to the War Department setting forth in detail the owner's grievances. Such claims are then investigated and passed upon by War Department Claims Board, after which they are submitted to the Comptroller General before payment. Legislation has recently been enacted, however, authorizing direct settlement of claims in amounts less than \$1,000, which may be paid in the field without submission to the Comptroller General or administrative review in Washington.

Considerable has been heard about the expenses incurred by owners in moving and storing furnishings and other personal property, and of damage sustained through disturbance and loss of business. In the absence of statutory provision and under prevailing Federal court decisions in condemnation and other proceedings, there is no authority for the payment of cost for moving and storage, or damages arising out of disturbance and business loss. This question became apparent

early in the defense program, and legislation proposed by interested Government departments was rejected by the Bureau of the Budget. I might add that a British act providing for such payments was repealed for the reason that it proved entirely unsatisfactory and defied administration.

In summary, I should like to restate and emphasize the following facts. In the early phases of the program, it became apparent that high rentals might preclude the establishment of the training center in Miami Beach. As a result of vigorous protests by Miami Beach citizens, civic representatives, and particularly the Miami Beach Hotel Association, the demands of a few hotel owners for high rentals were withdrawn, and the Army Air Forces was prevailed upon to continue the activation of the project. For a long period of time there was no further contention of low rentals; on the contrary, local interests and hotel operators brought considerable pressure to bear in an effort to speed an expansion of the program. The subsequent inactivations were dictated by force of circumstances. In such inactivations every effort has been made under carefully considered policies to restore the various hotels to the condition in which the Army found them. Throughout the program, the War Department, with the cooperation and assistance of the people, the Miami area in general, and of most hotel owners in particular, has made every effort to administer the program on a fair, sound, and reasonable basis.

That completes the statement.

Senator FERGUSON. Does any other officer have any statement?

Colonel O'BRIEN. No, sir.

Mr. HALLEY. Could you make it clear on the record, first, the dates on which the various groups of hotels were taken, and the various groups of men came in? As I understand it, the first five hotels were taken for the officer candidate school, is that right?

Colonel O'BRIEN. That is correct.

The ACTING CHAIRMAN. There was no protest about that. Do you still have those hotels?

Colonel O'BRIEN. We have them all.

Mr. HALLEY. When were they taken?

Colonel O'BRIEN. Those hotels were taken during the period of the 18th to the 22d of February.

Mr. HALLEY. And nothing was done until the week of March 20, when Mr. Frazure went out to acquire further hotels?

Colonel O'BRIEN. Yes; that is correct.

Mr. HALLEY. And when was the next hotel actually acquired?

The ACTING CHAIRMAN. Wait. When was that meeting of which you furnished a transcript of the minutes?

Colonel O'BRIEN. The initial meeting was held February 14 and 15.¹

The ACTING CHAIRMAN. That was prior to the leasing of the five hotels?

Colonel O'BRIEN. Yes, sir.

Mr. HALLEY. Were those five hotels occupied to capacity?

Colonel O'BRIEN. They were specifically rented for the handling of the permanent party of some 400, and the first class of some 550,

¹ See Exhibit No. 972, appendix, p. 9053.

and to the best of my knowledge, they were occupied. I understand they were.

Mr. HALLEY. When was the next hotel taken?

Colonel O'BRIEN. The next hotel was occupied, Colonel Proctor notified the Carlton—no; that wasn't it. The Jefferson, the Kenmore, the James, the Regent, were occupied on March 22.

Mr. HALLEY. And troops actually entered them?

Colonel O'BRIEN. Yes.

Mr. HALLEY. And you had five hotels, then, in time for the troops that were coming down?

Colonel O'BRIEN. Yes. On March 23, the Richmond. There were several more right in that period: March 23, the Richmond; March 27, the Vanderbilt; and then on April 1, the Carlton.

Mr. HALLEY. Prior to March 23, you actually acquired sufficient hotel space to care for the troops which were expected, is that right?

Colonel O'BRIEN. This whole plan has been laid out based on the statements made by the Hotel Association, the owners. We knew, in general what hotels we thought were going to be available. The selection of hotels was made by the Army Air Forces. The engineer representatives were notified by the commanding general, and we attempted to fulfill regular orders for hotels.

Mr. HALLEY. You did succeed, did you not?

Colonel O'BRIEN. That's right; yes, sir.

Mr. HALLEY. Then why the discouraging press release of March 23? You had your hotel space; your program was proceeding.

Colonel O'BRIEN. It was in connection with the leasing of these 10 hotels, or whatever the number is—7 hotels, that we ran into owners who indicated that they would not surrender them, or they were not satisfied with prices.

Mr. HALLEY. Mr. Frazure reported they were all cooperative, did he not?

Colonel O'BRIEN. Every owner, I assume, has indicated willingness to cooperate.

Mr. HALLEY. But they had been approached only once, by a single individual.

Colonel O'BRIEN. But they had been notified, and these owners had all been present a month previously and knew this program was coming in, and we had their offers for immediate occupancy of the hotels.

Mr. HALLEY. Is there anybody here who was at that first meeting in February that Lieutenant Talley held?

Colonel KELLY. No.

Mr. HALLEY. It has been alleged by persons in the room—

Senator FERGUSON (interposing). Where is Talley?

Colonel KELLY. He is assigned to the headquarters of the redistribution center at Atlantic City.

Mr. HALLEY. It has been alleged by the persons who were present at that meeting that the offers made by Mr. Frazure and his associates in March were not the same as the offers discussed back in February.

Colonel O'BRIEN. It is probably a good thing they weren't, because the transcript we will produce indicates that the owner of one hotel got up and said, "We are at war! We welcome you! You can have our hotel for \$1!" Another, "For the fixed charges!" Another said, "I second the first man's theory. Come in here. The place is yours."

Pay us a nominal rental." That is the reception our representative got as disclosed by the record we will place before you.¹

Mr. HALLEY. Did you have that record before you?

Mr. FRAZURE. No, sir; I wasn't present at that meeting in February at all.

Senator FERGUSON. That was a stenographic record?

Colonel O'BRIEN. The notes were prepared by a stenographer.

Senator FERGUSON. During the interval between that meeting and March 22 was anything done at all toward the acquisition of these additional hotels?

Colonel O'BRIEN. Yes, sir.

Senator FERGUSON. What was done?

In other words, a man owns a hotel. He has a meeting on February 14, we'll say, and five hotels are leased. And then a month passes and nothing more is said or done. And then you step in a month later and you say you have to have this hotel.

It's a little different picture than if there had been an orderly progress of investigation up to that point leading to an idea of values and rentals and everything else so that the people who were in that meeting and others might know the thing was still progressing.

Colonel O'BRIEN. We had opened a project office here, Senator, but on the same day that the engineers' representative arrived, General Wooten announced some 950 men were to arrive within 2 or 3 days. At that point this project had no official approval in Washington, beyond an oral approval, and in order to process this whole job—

(A list of personnel in the Miami Real Estate Project office was marked "Exhibit No. 990" and is included on p. 9128.)

The ACTING CHAIRMAN (interposing). Didn't you even have a letter of intent?

Colonel O'BRIEN. No, sir; nothing. And in order to comply with the statutory requirements we had to obtain the specific approval of the Secretary of War. There were a lot of details that had to be handled after this first group arrived. An office was being opened here. We were—

Senator KILGORE (interposing). How long a time did they have prior to March 23? What was being done between February 14 and March 23? How much time was there?

Colonel O'BRIEN. I don't think anything further was done.

Colonel KELLY. We opened up this first one the 18th or 20th of February, as an Air Force unit, and then General Weaver, as commanding general of the training command, watched this work for a few days and then went to General Arnold for authority to go further into Miami Beach.

Senator FERGUSON. How many days did he watch it?

Colonel KELLY. He didn't watch it very long, because the time interval between the opening of that and the dispatching of General Wooten down here as commanding general—

Senator FERGUSON (interposing). When did General Wooten come down?

Colonel KELLY. On the 22d of March.

Senator FERGUSON. That is when it was tied up?

Colonel O'BRIEN. That's right.

¹ See Exhibit No. 972, appendix, p. 9053.

The ACTING CHAIRMAN. When did Captain Fitch come—that was the 18th of February?

Colonel O'BRIEN. We sat here almost a month with no Air Force commanding officer.

The ACTING CHAIRMAN. It was during that period, as far as acquisition was concerned, that you had no authority?

Colonel O'BRIEN. That's right. No authority for the first five leases, and the papers came through just about the time that Wooten arrived here.

Colonel KELLY. It was decided on a Saturday night, the 21st of March, by General Arnold, extending General Weaver authority to start this installation down here—that is, the replacement center. This was an officer candidate school, and that was operating. On the night of the 21st authority was granted to General Weaver to go ahead, but between the installation of that and General Arnold's extension of authority—General Arnold also had to get the authority from the Assistant Secretary of War to take hotels instead of cantonments, and that cannot be done too quickly.

Mr. HALLEY. Colonel O'Brien, would you look at this record of February 14 and point out where in it the hotel owners offered to give their hotels for \$1 a year?

Colonel O'BRIEN. Yes, sir; I think I can find that. The notes of the meeting of February 15—

The ACTING CHAIRMAN (interposing). It was the second day?

Colonel O'BRIEN. Yes, sir. There are another two additional pages that seem to be missing.

Mr. HALLEY. I would like to go over the pages you have here and see whether this is consistent with an offer of \$1 a year. Have you read this transcript, Colonel O'Brien?

Colonel O'BRIEN. Yes, sir.

Mr. HALLEY. First, are you familiar with the fact that Lieutenant Talley said that there would not be any men, in all probability, before April 1?

Colonel O'BRIEN. I have read that; yes, sir.

Mr. HALLEY. And Mr. Miller said:

It seems to me it would make a big difference if you would take possession on March 15 or April 1. What could we do with our seasonal guests?

Answer by Talley:

We are not going to arrive on March 15 with 5,000 men. It is going to grow up quickly, not within weeks, but with 10 or 100 men.

And then Talley said—Hanks said:

The chances are there won't be any men until April 1, probably?

And Talley said:

You will have notice. I cannot tell you tomorrow, but probably by the end of next week I can tell you.

Do you remember that?

Colonel O'BRIEN. Yes, sir.

Mr. HALLEY. Do you feel that that is consistent with the offer made by Mr. Frazure?

Colonel O'BRIEN. No; that statement isn't.

Mr. HALLEY. Do you feel that you can say that the men who were at that meeting went back on their word when they showed some hesi-

tation at Mr. Frazure's suggestion that they clear their guests out within 2 days of March 21, whether or not military exigencies required? We are now talking about whether or not these men went back on their word.

Colonel O'BRIEN. No; but through this, if you will read on here, you will find that the question of timing and suggestions as to how to arrive at appraisals and so forth were gone into.

Mr. HALLEY. On the timing, can you show the committee anything to the contrary, any suggestions that there would be a request for an immediate possession prior to April 1 for large numbers of men?

Colonel O'BRIEN. You may care to look at this [handing document to Mr. Halley]. Talley said:¹

You will have notice. I cannot tell you tomorrow, but probably by the end of the week I can tell you.

Mr. HALLEY. There are a few other points with reference to that record I would like to ask you about, Colonel, if you will return it.

Colonel O'BRIEN. Yes. Without delaying your hearing here, we will make notes on these questions, and I will underline the copy that we submit.

Mr. HALLEY. Is it not a fact that it was stated that \$10 would be paid per man per month as a measure of value?

Colonel O'BRIEN. That is one of the statements. It also goes on to say that the job will be handled on an appraisal basis.

Mr. HALLEY. But that was given as a yardstick, is that not right?

Colonel O'BRIEN. The maximum figure established by the War Department, that is correct.

Mr. HALLEY. And the payment would be paid for each man who occupied the hotel, is that right?

Colonel O'BRIEN. No; it was indicated that the \$10 maximum—if you will turn over, you will find the basis on which these hotels were to be taken over, and that was on the appraisal basis.

Mr. HALLEY. Here I see one owner asked:²

What base do you intend to use as a measure of value?

Answer:

Ten dollars per man per month.

Would there be a minimum?

Answer:

Yes; of 250 men available.

And Hanks said:

A minimum of men set for a hotel. If there is space available for 200, would they be paid on this basis?

And Talley said, "Yes."

Now, going on, another question came up. Hanks asked:

You would pay taxes and interest on mortgage and so forth. How about a crew to repair elevators, keep lawns in shape, operating maintenance?

The answer was:

Yes; this will be taken care of. It might be desirable to employ elevator operators.

¹ See Exhibit No. 972, appendix, p. 9053, at p. 9054.

² Ibid, at p. 9053.

Now, would you feel that the owners might have assumed that that answer meant that their taxes and interest would certainly be taken care of and the payments made?

Colonel O'BRIEN. I don't know why they should assume anything, because if you continue to read, the question of appraisals and valuations is discussed.

Mr. HALLEY. Will you point that out? [Handing document to Colonel O'Brien.]

Colonel O'BRIEN. The next day this same group met, and the question of compensation came up "I do not think the compensation will work out, because the average allowing 15 percent"—that was the reference to the 15-percent maximum.

A man by the name of Miller said, "You cannot make a profit, that is sure." He said, "Ten dollars is tops. If this is not accepted, they can decide whether to take the properties by condemnation."

Mr. HALLEY. But there is nowhere any indication that \$10 would not be paid for every man.

Colonel O'BRIEN. That man seemed to understand it was absolute tops.

Mr. HALLEY. That \$10 would be paid for each man? Doesn't \$10 per man mean \$10 per man?

Colonel O'BRIEN (reading):¹

No one here can expect to get more than \$10 per man.

This was the report.

It was not a question of their taking over; it was a question of whether we can say it, whether we can do it for 8, 9, or 10 dollars. They say we will not be able to pay our expenses on the basis of \$10 per man.

And Talley says here:²

The result of my visit to Miami Beach and other areas is going to result in a decision being made in the War Department as to what to do. We are not going to come in here and take your property. I would much rather work it out on a group so all are taken care of. I would like to know who cannot work it out on a \$10 basis. That is tops. If we pay more, we will build camps.

Now, I don't propose to argue for a minute, but what this \$10 maximum was mentioned.

The ACTING CHAIRMAN. What does that mean? Does that mean \$10 per man for housing? Is that right? In other words, that would include also a certain amount of operating expense in connection with the operation of the hotel, wouldn't it?

Colonel O'BRIEN. I don't know—

The ACTING CHAIRMAN (interposing). Is that just a \$10 space rate, or is that a maximum allowance to cover, for instance, light, heat, water?

Colonel KELLY. That is meant to be \$10 housing only, and that is a figure set by General Weaver. If it could not be done for a maximum of \$10 per man, housing alone, not including maintenance and operation, give up the hotel idea.

Senator FERGUSON. Was it stated how much space would be needed for a man?

Colonel O'BRIEN. I think the statement was made down here, Senator, that they planned on 60 feet.

¹ Exhibit No. 972, appendix p. 9053, at p. 9056.

² Ibid, at pp. 9055-9056.

Senator FERGUSON. Was it contemplated that you might use less than that?

The ACTING CHAIRMAN. You can put them into two layers and get more square feet per room.

Colonel O'BRIEN. I think one time we got down as low as 40 feet, but when we leased these hotels, we didn't lease them on—we leased the facilities.

The ACTING CHAIRMAN. When you talk about 60 square feet, you are talking about hospital and sanitary regulations, which vary according to climatic conditions, ventilation, and everything else. Under certain climatic and ventilation conditions, you can put men in around 40 square feet; under other circumstances, you have to put them in under 60 or 70. If you have sickness, you have to have greater space, isn't that right?

Colonel O'BRIEN. Yes, sir; and with the revolving inflow and outflow of men here, some of these hotels, I suppose, at times have had thousands of square feet per man.

Mr. HALLEY. Last summer, Major Mays and I tried rough computation, and we thought it was 30 square feet to the man, is that right?

Major MAYS. I don't recall, to tell you the truth.

Colonel O'BRIEN. I never found any facility that was down to 30 feet.

Senator FERGUSON. Was it understood that anybody would check as to how much you were using per man outside the Army? Did any owner come and ask to check on how many feet you were using per man?

Mr. SPOONER. No, sir. Some owners have come to the office and stated they believed there were more men put into the hotels than on the 60-square-foot basis.

Senator FERGUSON. And did they ask for more money?

Mr. SPOONER. No, sir.

Colonel KELLY. So far as we know, it was pretty generally understood that when we talked about housing, that \$10 a man a month meant figure out at 60 square feet how many men you could house in X hotel; find out what you could rent the hotel for, and if on that basis it exceeded \$10 a month a man, you couldn't have the hotel.

The ACTING CHAIRMAN. That is \$10 per month for 60 square feet of floor sleeping space?

Colonel KELLY. Yes, sir.

The ACTING CHAIRMAN. And then you have the question of how many men could come in here. But that's another question.

Colonel KELLY. Yes, sir.

The ACTING CHAIRMAN. Just as you figure the cubic content?

Colonel KELLY. Yes, sir. At the time we had the 89,000 in here, there probably were considerably under 40 feet.

Senator FERGUSON. What would it be now?

Colonel KELLY. I don't know.

Senator FERGUSON. Have you any idea? Is it more or less than 60 feet?

Colonel KELLY. Now it is more than 60, because they have vacant space, but the way it operates is, the induction center or replacement center, where the personnel is new, newly inducted into the Army, we

are required to provide 60 square feet, because they are more susceptible to disease. After they have gone through their first 13 weeks, we can reduce them to 40 feet, and a permanent party is figured on 40 feet per man.

Senator FERGUSON. Would you say it averaged more or less than 60 feet up to date?

Colonel KELLY. On that, you mean taking the total number of men in the city and the total amount of beds in the city, occupied, or unoccupied, right now?

Senator FERGUSON. No, the average from the beginning to now. Was it more than 60 or less than 60?

Colonel KELLY. I don't think I can speculate on that.

Senator FERGUSON. You don't know?

Colonel KELLY. No.

Colonel O'BRIEN. We will attempt to get that figure for you.

Senator FERGUSON. Would it be a difficult thing to obtain?

Colonel O'BRIEN. No, sir; I don't think so. It might be, though.

The ACTING CHAIRMAN. Do you know how many square feet of actual sleeping space you have in these hotels here now?

Colonel O'BRIEN. No, sir; for this reason: There has been so much change-over, we would have to recompute the whole thing.

The ACTING CHAIRMAN. I see. There is one thing I want to get in right here just to clarify things because I think it needs clarification. To start out with, the first move in here was purely experimental, and that was the middle of February, and that was when Lieutenant Talley had his conference.

Colonel O'BRIEN. That's right.

The ACTING CHAIRMAN. At that time there was no authority for more than that experimental move of a small body in here for experimental training. It was a guinea pig; is that right?

Colonel O'BRIEN. That's right; yes, sir.

The ACTING CHAIRMAN. In anticipation, however, and as a result of a few days with the guinea pig, it was determined that the plan was feasible; is that right?

Colonel O'BRIEN. Yes, sir.

The ACTING CHAIRMAN. Now, no information as to that was given out to the hotel people, was it?

Colonel KELLY. No, sir.

The ACTING CHAIRMAN. That information, however, was conveyed to the chief of Army air forces?

Colonel KELLY. Yes, sir.

The ACTING CHAIRMAN. Based upon that, he made a decision to expand the experiment into a full-fledged operation.

Colonel KELLY. Yes, sir.

The ACTING CHAIRMAN. You were contemplating 35,000 men at that time; is that right?

Colonel KELLY. Yes, sir.

The ACTING CHAIRMAN. With the first group of 5,000?

Colonel KELLY. That's right.

The ACTING CHAIRMAN. At that time no date was fixed and no authority granted, so that the officers on the ground here had no authority to negotiate—

Colonel KELLY. That's right.

The ACTING CHAIRMAN. Or make any proposal, other than a tentative, experimental one, and nothing was done up until the 22d, when General Wooten came in, and then this sudden flurry arose, and in the meantime, prior to granting of authority, men had already been ordered in here; right?

Colonel KELLY. No. It was all a simultaneous thing. There were three things that happened all at once on a Saturday: The authority was granted for the installation of the replacement center here; General Wooten was appointed commanding general and left Washington for Miami Beach; and by telephone from Washington the people who were on the ground here were told to go to work on it. We were going to have the center. By the time the general had arrived here as commanding general of the new replacement center things were in the mud already. That is why—

The ACTING CHAIRMAN (interposing). How long was it from the time this plan was made until Wooten arrived on the ground?

Colonel KELLY. About 30 hours, I guess.

The ACTING CHAIRMAN. I wonder if anybody figured out the problem of clearing the hotels of families and guests in that time?

Colonel KELLY. They did it so fast on the first group.

The ACTING CHAIRMAN. That was a comparatively small group and they were anticipating on that basis. I am trying to look at it from both sides of the picture. When guests come from hundreds of miles away to spend a month, and then find they have no accommodations, it is a tough proposition. Then there is the problem of transportation back north, location of other hotels or rooms, and some of them probably were guests who have been coming in for years to the same hotel. It was a rather difficult problem to put up to the hotel owners and a difficult problem to put up to these officers on the ground. It looks to me as though the representatives of the Army on the ground here were sort of in a bad spot, and so were the hotel owners, and through no fault on the part of either one.

Colonel KELLY. I think the Army officers who were down here would agree with you they were on a bad spot.

The ACTING CHAIRMAN. And the hotel owners also were on a bad spot, too. I just want to get a résumé of what happened in there. Frankly, those officers down here had no authority.

Colonel KELLY. That's right.

The ACTING CHAIRMAN. Maybe that's the military secret they talk so much about.

Mr. HALLEY. Just to clarify the record on the point of \$1 a year made by Colonel O'Brien, there was a third meeting on February 18, at which apparently the suggestion was made—apparently the one that was made at the earlier meetings: As reactions to suggestions, a Mr. Brody said, "We are at war. The Government comes in and gives us \$1 per year; I would be happy. Why all the questions. I am in accord."

R. Pankos said, "O. K.," and Mr. Collins said, "O. K." Then Mr. Miller said, "My hotel would be available if I can work out something to protect myself on the lease." And then Mr. Humpage said "O. K.," and Mr. Dickerstein said, "I will cooperate." Five gentlemen then said, "O. K." Then the meeting went off onto another point.

Colonel O'BRIEN. May I clear one other point? We were discussing this \$10 maximum. Mr. Churchill said, "If I can get by, not with a profit, I want to cooperate. Whatever the Government feels is fair, we want to cooperate. Please do not misunderstand me."

Mr. HALLEY. In connection with the settlement of claims for damages, as I understand it, the post engineer made an estimate of the proper amount to be paid.

Colonel O'BRIEN. That is correct.

Mr. HALLEY. And there is a file for each hotel, a set of worksheets, the various items that go into that estimate.

Major MAYS. Correct.

Mr. HALLEY. Are they available?

Major MAYS. Yes, sir.

Mr. HALLEY. Broken down as to each room and each item in each room?

Major MAYS. Yes, sir.

Senator FERGUSON. You are willing to furnish this file to the committee, for inspection, at least?

Colonel O'BRIEN. Oh, yes.

Senator FERGUSON. I have no other questions.

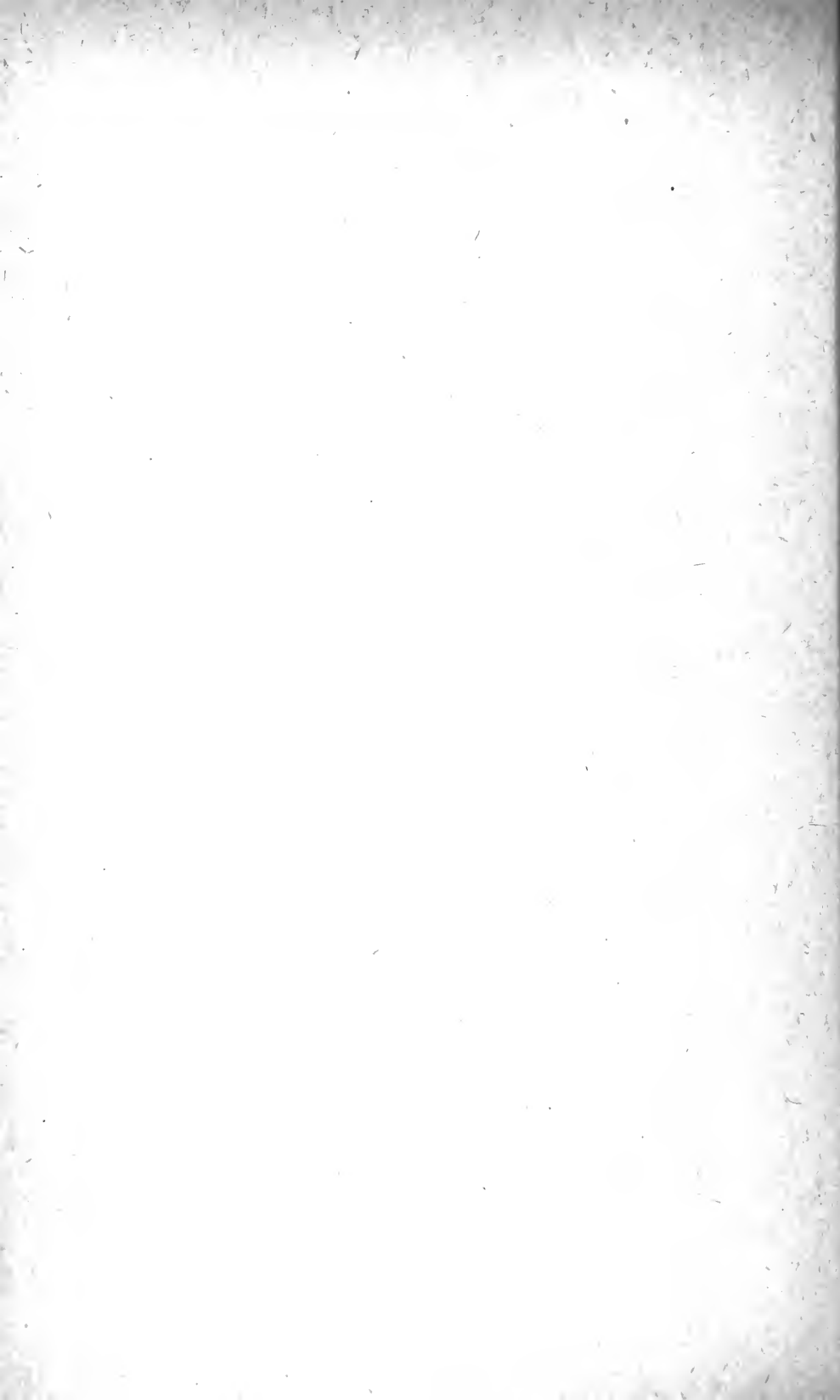
Colonel O'BRIEN. We may supply these various items in Washington, Senator?

Senator FERGUSON. Yes.

The ACTING CHAIRMAN. We will adjourn and after conference, if we decide on a further meeting, we will announce that fact.

Colonel KNOWLES. In respect now to these officers, they are free now to return to Washington. If you desire further cross-examination, it can be held in Washington.

(Whereupon, at 10:40 p. m., the hearing adjourned subject to call of the Chair.)



INVESTIGATION OF NATIONAL DEFENSE PROGRAM

MONDAY, JANUARY 10, 1944

UNITED STATES SENATE,
SPECIAL COMMITTEE INVESTIGATING THE
NATIONAL DEFENSE PROGRAM,
Miami Beach, Fla.

The committee met at 10:15 a. m., pursuant to adjournment on Friday, January 7, 1944, in the city hall, Senator Harley M. Kilgore presiding.

Present: Senators Harley M. Kilgore, acting chairman, and Homer Ferguson.

Present also: Rudolph Halley, executive assistant to chief counsel; Brig. Gen. Frank E. Lowe, executive officer; Lt. Col. Miles H. Knowles, office of the Under Secretary of War.

The ACTING CHAIRMAN. The committee will come to order, please. Is Mr. Brown here?

Mr. HARRY A. BROWN. Yes; and this is Mr. Butler, my agent at the time.

The ACTING CHAIRMAN. Mr. Brown and Mr. Butler, do you solemnly swear the evidence you give in the matter now in hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BROWN. I do.

Mr. BUTLER. I do.

TESTIMONY OF HARRY A. BROWN AND MARION A. BUTLER

ARNOLD HOTEL, MIAMI BEACH—ACQUISITION AND RELEASE BY ARMY

The ACTING CHAIRMAN. For the benefit of the record, will you state your names, addresses, and business connections?

Mr. BROWN. Harry A. Brown, owner of the Arnold Hotel, 8751 Collins Avenue; sole owner, I suppose; no co-owners or corporation involved.

The ACTING CHAIRMAN. What is your business address?

Mr. BROWN. York, Pa.

The ACTING CHAIRMAN. And Mr. Butler?

Mr. BUTLER. Marion A. Butler.

The ACTING CHAIRMAN. What is your capacity? Agent for Mr. Brown?

Mr. BUTLER. That is correct.

The ACTING CHAIRMAN. And you live in Miami Beach?

Mr. BUTLER. I do, sir.

Mr. BROWN. Mr. Butler was my agent. I was in the service at the time, and he made all negotiations in relation to the leasing of the hotel. I merely came in on that portion when the hotel was given back.

Senator FERGUSON. It has been turned back?

Mr. BROWN. Yes, sir. Do you prefer to have Mr. Butler expand on the time the negotiations were made?

The ACTING CHAIRMAN. Suppose, Mr. Butler, you go ahead and explain that, and then Mr. Brown can pick up where he took over.

Mr. BUTLER. Mr. Brown acquired the hotel the previous summer.

The ACTING CHAIRMAN. The summer of 1941?

Mr. BUTLER. That was '42. He was doing Government work which made it impossible for him to be down here, so he wrote and gave me the necessary authority, in writing, to act for him. Mr. Brown never believed that the Army would go out in that area and take over the hotel, and he told me so a number of times. However, I was quite sure of it, so he gave me the authority. He was traveling over the country, and it was very probable I wouldn't be able to reach him, and his instructions were to cooperate with the Army in every respect.

When the Army did go into the Surfside area it happened that I was not able to reach Mr. Brown, but he had also instructed Mr. Berkeley, his secretary, to cooperate, to O. K. any price or other arrangements I might make with the Army. It so happened that about 2 weeks before the Army indicated they wanted the hotel we had a civilian lessee who made us a proposition of leasing the hotel for 1 year or 5 years, with the first year to be \$35,000 for the year's rental on the hotel. I conveyed that offer to Mr. Brown, and he indicated to me in no uncertain terms that he did not want to lease it; that he wanted to operate it himself.

We then employed a person whom we considered the best manager on the beach to operate the hotel. We had already made arrangements for him to go in, take over the hotel, and operate it.

As the negotiations with the Army dragged along, they said that probably in 10 days they would take over the building, and we prevented the manager from going in. Finally Mr. Frazure called me up and said he wanted the hotel and wanted me to give him an option. I said, "Well, Mr. Frazure, what is your price?" He said "\$27,000. We have arrived at it based upon the appraisal that has been turned into us by the appraisers assigned to the hotel." I told Mr. Frazure at the time that we had turned down \$35,000 from a civilian operator. He said, "That's all the Army can give." I said, "That being the case, I have instructions from Mr. Brown to cooperate in every way with the Army."

So Frazure had a form option that was used in these transactions. I said, "Even though I have such instructions, I would like to submit that offer as a matter of form to Mr. Berkeley and have it approved." I then telephoned Mr. Berkeley and he approved the \$27,000 if the Army thought that was fair. I signed the option, under written authority that Mr. Brown gave me, at \$27,000.

Some 4 or 5 days later they notified us one morning to be out of the hotel by 8 o'clock. We got all the necessary labor into the hotel.

Senator FERGUSON. Was the hotel occupied at that time?

Mr. BUTLER. No, sir; it was not. There is one thing I should make clear about the hotel.

Senator FERGUSON. Just a moment. What month was that?

Mr. BUTLER. November 17, sir. The building happened to be, I think, the newest hotel on the beach. We actually finished construction on the hotel after Pearl Harbor. We were still working on completing the hotel, when the war broke out.

The ACTING CHAIRMAN. Had it ever been occupied?

Mr. BUTLER. Of course, it was not completed at the time we went into the war. We were in the act of completing it then. We actually completed it and had it ready for civilian occupancy by the middle of January of that year, and we employed a manager and did operate the hotel for the season. Of course, we are in an area out there—I think this is important—where it is strictly a seasonal rental—the North Beach area.

Senator FERGUSON. From what date to what date?

Mr. BUTLER. I would say from November to the 1st of May. The income that is derived—that is, the \$35,000 we were offered—it is more or less understood that that is for that period.

The ACTING CHAIRMAN. Go ahead. You were notified in the morning to have it ready for occupancy by 8 o'clock that night?

Mr. BUTLER. Yes, sir. They wanted it that night. The Army moved in one door as we moved out the other door.

Senator FERGUSON. You stored your furniture?

Mr. BUTLER. Yes, sir; we put—well, they designated in a form letter that was gotten out to everyone what they wanted left, what they wanted taken out of the building. By that night we had everything bundled up, moved to the lobby and moved out. We picked up 100 rooms of carpeting that day and moved it out. That was all done, sir, under the memoranda, the option which was signed.

The ACTING CHAIRMAN. No contract had been signed yet?

Mr. BUTLER. No, sir; just the option. They moved in under the option that I signed for Mr. Brown. At that time Mr. Brown knew nothing more than that he instructed me to carry on and enter into negotiations for him, and I transmitted to him over the phone that the Army had designated a price of \$27,000. He said, "Well, that is \$8,000 less than we have been offered." I told him on the phone that as best as I could find out from other hotels that had been turned over it was about on the same basis; that most of their leases were running about 30 to 35 percent less than the normal civilian leases on the properties.

Senator FERGUSON. How had you discovered that?

Mr. BUTLER. It so happens that I have the property management on quite a few hotels on the beach. It is my business and it was my business to keep very closely informed of what was going on.

Senator FERGUSON. That was generally known, then, in Miami Beach? People generally knew that these leases were running 30 to 35 percent under the normal civilian leases?

Mr. BUTLER. I think that was very well discussed and understood. Mr. Frazure told me on several occasions that in all their checking they had found that to be true. Certainly those whom I am familiar with found that to be true.

Senator FERGUSON. When you say 30 or 35 percent under commercial leases, do you mean commercial leases made prior to Pearl Harbor?

Mr. BUTLER. That is correct, sir. They were leases either that had been on various properties or that were actually existing on the properties.

Senator FERGUSON. Had prices changed after Pearl Harbor? Did you know of any leases being made after Pearl Harbor?

Mr. BUTLER. Well, frankly, we were subject to quite a psychological complex after Pearl Harbor. Nobody knew what was going to happen.

Senator FERGUSON. You didn't know what the transportation from the North would be.

Mr. BUTLER. No, sir.

Senator FERGUSON. What about gasoline rationing? It wasn't in effect then, was it?

Mr. BUTLER. No, sir; that is true, sir.

Senator FERGUSON. This was in 1943. Gasoline rationing went into effect in 1942.

Mr. BUTLER. That's correct, sir—no. It went in after Pearl Harbor.

Senator FERGUSON. Yes. Pearl Harbor was '41.

Mr. BUTLER. That's right.

Mr. BROWN. For the record, I would like to make it clear that I belong to no organizations. I have never had any conferences with any group of men or discussions with anyone, the citizens' committee or anyone. I was not here to have any and even since the return of these hotels, including my own, I have never had any conferences with anyone. I have operated alone except with the advice of Mr. Butler, and with the exception again of asking Mr. Rasco if I could appear before this committee which I have waited patiently for 3 days straight to do.

The ACTING CHAIRMAN. Mr. Butler, did you belong to the hotel management association?

Mr. BUTLER. No, sir; I did not.

The ACTING CHAIRMAN. Did you participate in any of these meetings with reference to leasing?

Mr. BUTLER. I have never participated in those meetings; never at any time have I participated in meetings.

Senator FERGUSON. When was the hotel turned back?

Mr. BROWN. July 20, 1943.

Senator FERGUSON. You had personal knowledge of that?

Mr. BROWN. I was here, sir; I have been here since July 1.

Senator FERGUSON. Will you tell us what happened in the return of the hotel?

Mr. BROWN. Yes, sir; I will.

Mr. HALLEY. I wanted to clarify the record when you say you had no conferences. You did confer once with me, did you not, last July?

Mr. BROWN. Yes, sir. When I say conferences, I mean the citizens' committee, this "what are we going to do" business and "what can we do." I mean no reflection on them. I say that so that this investigation will be perfectly clear that I acted on my own personal good judgment, along with Mr. Butler.

As far as this rental goes, I would like to touch on it as an owner and, perhaps, as an investor, because primarily I am not a hotel op-

erator. I never operated one, know nothing about a hotel, and bought it for strictly investment purposes. The hotel was purchased, and from a mathematical point of view the \$27,000 was probably a reasonable rent, because it was not under financed. It was amply financed. Second, we are in Surfside, not Miami Beach—no reflection on Miami Beach—but the taxes in Surfside are perhaps a third, from what I can gather, lower than they are in Miami Beach. Obviously, if I were receiving \$27,000, and if that hotel were in Miami Beach, my taxes would be higher. My taxes in Surfside are \$4,236, and I believe they would be nearly twice that in Miami Beach. Therefore, figuratively speaking, I received a rental of \$31,000, plus.

I do wish to go on record, however, that in my telephone conversations with Mr. Butler he gave me the impression that the Government was leasing this for the duration and six months afterwards.

MR. BUTLER. We all thought that.

MR. BROWN. I told him before I left that whatever they wanted to do would be perfectly all right. They have first call and there was never in my mind at any time the thought that the Government could not do what they pleased with my building.

THE ACTING CHAIRMAN. Let me ask you this: This was a 100-room hotel, was it not—100 bedrooms?

MR. BROWN. Yes, sir. The hotel was brand new. It was finished in January 1942, which is a matter of record. It was occupied during the months of February, March, and April, about 20-percent capacity. In other words, 70 or 80 percent of those rooms had never been slept in by civilians at all.

I will now prefer to go into when the hotel was turned back. I received the usual telegram stating the hotel would be returned to me on July 31. Mr. Butler telephoned to me to come down the early part of July, because they wanted to negotiate the return of the hotel, as I was one of the first, and to get down quickly.

(The document referred to was marked "Exhibit No. 991" and is included in the appendix on p. 9129.)

THE ACTING CHAIRMAN. Let me clarify this now. How many months was the Army actually in occupancy?

MR. BROWN. They were actually occupying it for eight and a half months. That gives you a total of \$19,125 rental. I had it leased for the season, as Mr. Butler will tell you, at \$35,000. The hotel today is leased for \$75,000 for 2 years, subject to about \$10,000 in other payments on the part of the lessee.

Senator FERGUSON. For 2 years?

MR. BROWN. That's right; \$37,500 a year, which is considered a pre-war rental. I have at the moment, as a matter of record, two propositions offering me \$45,000 a year, post-war, starting November 1, 1945, for 10 years, and that is pending at this moment. That will give you an idea, perhaps, of what the rentals normally are as they have been set up.

Senator FERGUSON. I notice you say "post-war." That is in anticipation that the war will be over?

MR. BROWN. Anticipation; yes, sir. All the furniture was removed. I would like to bring that out. It cost me \$2,388 to remove my furniture, store it, return it into the property, and by the time you deduct that from the \$19,125 and all other carrying charges, I was in the red. If they had kept it for the duration I do not believe I would have

been in the red, or even if they had kept it for 1 year. I think perhaps I would have been on the plus side, slightly, but that is all.

Nevertheless, when I came down here on July 2, I believe it was, I brought with me a contractor from the north at my own expense. I brought my auditor and another gentleman. We contacted Mr. Butler and he said they were very anxious to start the next morning. We'll say that was July 3. I may be wrong on the date, but it was before July 4. A Mr. Sachs appeared in front of the Arnold Hotel with a young lady, who was a stenographer, and asked who I was. I explained who I was and he said, "That's fine. Come on in." I said, "What about Mr. Butler, who is my exclusive agent and has handled this, and my auditor?" He said, "Oh, no; you cannot do that. You can only come in here alone. No other man can come in this hotel but the owner." I advised him that I was not an expert on making adjustments or reparations or repairs to a hotel. He said, "Well, I am an expert." That was Mr. Sachs.

Senator FERGUSON. He was a civilian?

Mr. BROWN. Yes, sir; Leonard Sachs. He is an expert. He admitted it.

After a few minutes Mr. Butler called up the commanding officer and got permission to come in. I was not allowed to bring this contractor in whom I had brought from the north. I was not allowed to bring my own auditor in, nor this friend who accompanied us. Mr. Sachs immediately advised that one of us could do the talking, as far as he was concerned, either Mr. Butler or myself, but not the two of us. He was there only to talk to one of us. He was to cover all of the furniture, such as inspections of mattresses, box springs, wear and tear on the furniture. We proceeded to the fifth floor and after tossing a couple of mattresses and box springs along for a half hour, I said, "I'll be doggoned if I'm going to turn any more box springs around. I am not a laborer."

Mr. Sachs then consented to permit Mr. Berkeley to come in, provided he was in there as a laborer and not to open his mouth. I might add that the condition report was made out on January 9, 1943, and, inasmuch as the Government had occupied the hotel since November 18, bearing in mind that the hotel was absolutely brand new, to read the condition report—

Senator FERGUSON (interposing). We have that.

Mr. BROWN. You would think it had been occupied for several years.

Senator FERGUSON. Will you let the committee have a copy of it?

Mr. BROWN. I have only my own copy, but I will be very glad to forward you photostatic copies of anything I have to Washington.

Senator FERGUSON. Will you do that?

Mr. BROWN. I will do that.

(The document referred to was marked "Exhibit No. 992" and is included in the appendix on p. 9130.)

I asked Mr. Sachs what he was reading and he showed it to me. I said, "Well, this isn't true. You have cigarette burns all over this furniture." He said, "That's the way I found it on January 9 and that's the way it is." I said, "Suppose the Army had burned this." He said, "I don't know anything about this. All I know is that on

January 9 you had cigarette burns," and, as I stated, the report is terrible. It couldn't have been that bad.

Senator FERGUSON. Sachs is the man who claimed to make out the report?

Mr. BROWN. Yes, sir. He signed the report and he was an expert. Nevertheless, we tossed mattresses and box springs around for a while and then Mr. Butler and I said, "How do we know how much the cost is to fix furniture? We should get somebody in."

Senator FERGUSON. You had a contractor, did you not?

Mr. BROWN. That was a contractor for the building, not a furniture man. Mr. Sachs said, "I am not interested in anyone. I'll tell you what you are allowed for this; \$10.80 for box springs, so much for this and so much for that," and all the time I am scratching my head wondering whether it was all true or not. I did not know. He told us he had to be out of there by 12 o'clock because two other men were coming out at 1 o'clock and were going to finish the hotel in relation to physical property—walls, floors, and so forth.

The ACTING CHAIRMAN. Sachs was just an expert on furniture?

Mr. BROWN. Yes, sir. After we got in the groove, we threw up our hands because every bed and box spring was in very bad shape.

I happened to be down here. I have a home there within three squares, and when they first occupied the hotel they came in, as Mr. Butler noted, the front door while we were moving furniture out of the back. They actually took the mattresses or the box spring—generally the box spring—and laid it on the floor as a temporary bed because they were putting four and five men in the room and they did not have their bunks available, and in order to accommodate the men they took the mattresses and laid them on the floor. We called that to Mr. Sachs' attention. He immediately knew nothing about it, but he still kept claiming that all this wear and tear on the sides, where it is perfectly obvious you couldn't do it if it were on the bed, was normal wear and tear. Nevertheless, we went through the building and when we got done I made no reports. He assured me I could have a copy of his report which the young lady would type and which I could peruse.

At 1 o'clock we were allowed 20 minutes for lunch. That's all. Then two other gentlemen came up. I cannot recall their names. However, they did not claim to be experts.

Senator FERGUSON. Civilians?

Mr. BROWN. Civilians; and they were very fine men. They were very cooperative. They explained their duties and I told them I had this other gentleman downstairs. They said, "That's all right; bring him in, if you wish." Incidentally, Mr. Sachs originally made the statement that he was representing the Army. However, these other two gentlemen, when I asked them if I could bring in Mr. Butler, Mr. Berkeley, and Mr. Abel, said, "Certainly, but they will have to sign the register," which was perfectly all right. There was no question on their part that it was all right.

So we started through the rooms again, checking the walls, the bathrooms, floors, and doors, and so forth. Whatever we called to their attention, as a rule, they wrote down. They did not argue about anything. If I wished to call to their attention that something was

broken, they checked it, and if it was they wrote it down. We went on to the outside of the building and did likewise and finished about 5 o'clock.

About 2 or 3 days later we came in contact with Mr. Frazure. Mr. Frazure made an appointment with Mr. Butler and me and Mr. Berkeley for 10 o'clock in the morning, about 2 days in advance. We waited for him until about 10 minutes of one. By that time, of course, our blood was boiling, after having a specified appointment. We ate a hasty lunch, nevertheless, came back about 1 o'clock, and were in with Mr. Frazure until about 3. At that time he had several long distance telephone calls and asked us to excuse ourselves while he got them through. They were reasonable interruptions.

As he described it he was allowing \$7,700 to fix the whole hotel, including furniture and everything. We said to him, "We don't know. Will you permit us to bring in contractors, painters, carpenters, plumbers, and furniture men?" He said, "We don't have time for all that. I have 109 hotels to give back and we have to turn them back at the rate of 4 or 5 a day. After all, the men we had up there were experts and I have done this for many months and I consider myself an expert on this adjustment." I said, "Well, I am not. I am just plain dumb. I haven't the faintest idea what the cost is to paint a room." Nevertheless, we told him we wanted to bring someone in. We called up the furniture man and he wanted \$50 a day if he came over to inspect the furniture, but he said to me, "Mr. Brown, I can tell you over the phone, knowing your furniture, just about what it's like. I have seen a number of hotels. It will take approximately \$35 a room to repair your furniture and about \$10 or \$12 for the box spring and mattress, collectively."

Incidentally, I might state on this furniture that Mr. Sachs sold all the furniture to the hotel originally from the Maxwell Co. and was very familiar with it. He knew it was new, knew when it was delivered into the hotel. We got one painter to come up and he made a quotation or estimate on the painting for the interior of the building at around \$4,600. We had another one which ran about \$9,500 for the interior and exterior, and broken down it came to about \$5,600 for the inside—that's one coat of paint.

We were unable to get plumbers, carpenters, or other mechanics because they were entirely too busy and practically refused to come up just to make estimates for the Government. It didn't mean anything anyway.

We had another conference with Mr. Frazure. Mr. Butler accompanied me on all of these conferences. He then jacked up the allowance to around \$8,500, and what I would like to bring out is that the word "renegotiate" is all wrong. We were trading. There was no renegotiating. It was a question of what you could accomplish by trading. It was not a business proposition at all. You had to be a trader and unfortunately I am not a good trader.

I asked Mr. Frazure to expound how he arrived at these figures. He told me that was a military secret. "Well," I said, "I haven't a military secret. Here are some figures. Can you tell me why these are wrong?" He said, "I am not interested in your figures. I am interested in the Government. I am representing the Government and all the taxpayers." I explained to him that I did not know what to do about it; that I would have to think it over some more. Then Mr.

Butler and I discussed about letting the Government do it and I said, "If the idea is that Brown wants to get, say, \$20,000 and spend \$15,000 and pocket the \$5,000, they are crazy. I don't want a dime. I want the hotel put back the way it was when they got it."

Then, I, personally, inspected an apartment house at Seventy-third and Byron, or something like that, which the Government was doing for a lady whose husband was a sergeant in the service. I took one look at the place and decided I'd take the money—any money—rather than let the post engineers paint the building. They didn't remove the screens; they painted over everything. Finally the Government, I understand, gave the lady a cash settlement, because Lieutenant Clark went up to see it and told me personally it was a disgrace. The type of men they had working for them, I believe, was not good, and I don't believe it is any reflection on the post engineers, but it's the type of men they had working there. They were not first-class mechanics, because the good mechanics were in the unions and making more money than the Government would pay through civil service. That appeared to be the case.

The ACTING CHAIRMAN. In other words, their skilled labor that they secured for their own work came through civil service?

Mr. BROWN. Yes, sir; apparently.

Senator FERGUSON. Do you know whether it was contract work or civil service?

Mr. BROWN. I don't think it was contract work.

Senator FERGUSON. You named another job that you saw.

Mr. BROWN. That was Mrs.—

Maj. ARTHUR R. MAYS, Jr. (interposing). All of my employees are civil-service employees.

Senator FERGUSON. You did not have a contractor?

Major MAYS. Which building is he talking about?

Mr. BROWN. It was a building on Byron Avenue, a small apartment house.

Major MAYS. Some work we contracted; some we did ourselves.

Senator FERGUSON. Did you find any difference between the work you contracted and the work you did yourself, in skill?

Major MAYS. No, sir. My experience has been that as a general rule I get better work from my own men than I do from contractors.

Senator FERGUSON. Go ahead, Mr. Brown.

Mr. BROWN. Yes, sir. We went back to see Mr. Frazure on July 16, a Friday, about a further adjustment. We went all over the figures then and the best he could now offer, through trading, was \$11,500, but he said, "Mr. Brown, if it is anything over \$10,000 it has to go through Atlanta and Washington and probably will take 6 months before you get any money, and heaven knows what they will do to it in Washington, and I would suggest that you keep the figure under \$10,000 because we can pay you in cash." At the time I told him I was not worrying about what they gave me in cash or check or anything. He said, "If you wish it to go on through it will take months and months before you get the check back."

Senator FERGUSON. He didn't say you couldn't get the hotel immediately, did he?

Mr. BROWN. Oh, yes; I could have the hotel immediately. If I signed the papers I could have the hotel at once. Then he said, "Why not make the amount \$9,950," and that is how we arrived at

the figure of \$9,950, to keep it under \$10,000. Mr. Butler heard this entire conversation. I had the power of attorney for my wife and they said, "You can get this money immediately," and I signed the papers and signed for my wife, but they later discovered that the power of attorney did not operate; that I still had to wait for a check. However, that did come through in about 3 or 4 weeks' time.

Before this was signed, we then went up to see Major Mays—Mr. Butler and I—and explained our position to him; that we did not think we were being treated fairly. He said, "Why not let us repair your building?" I said, "Well, do you think you can have it done by July 31?" He stood up, took his calendar off his desk, and said, "Yes, we have 11 days to do it in." I said, "Well, that is rather pushing it." He said, "We'll have it done by July 31 at 5 o'clock." So Mr. Butler and I went outside and I said, "I don't know. We are sort of licked. We can't do anything there. They tell us \$9,950 will do everything and we know it can't." I had told Major Mays, "Some day I'll be back with all the checks and a break-down showing you what I spent," and he mentioned, "Well, I'm sorry, but I don't think I can do anything for you." He was very courteous. he said, "After all, once these papers are signed, I am finished," which I was well aware of, so we went back to Mr. Frazure, because he told us we had to be back there by 5 o'clock or they would start in on Saturday morning and go to work, and we signed the papers.

The ACTING CHAIRMAN. At that point, the estimates that you had obtained showed how much reconditioning was necessary?

Mr. BROWN. At that time it was approximately \$19,000.

Senator FERGUSON. And you signed for \$9,950?

Mr. BROWN. Yes, sir.

The ACTING CHAIRMAN. If you have those figures, and what they were offering, I should like to get that information for comparative purposes. Do you get the idea? I do not want the actual cost but the estimate. In other words, you were dealing there, and I would like to get the basis of the deal. Of course, you are having to deal on estimates, mainly.

Mr. BROWN. We had to, yes. I am not a native of Florida. I do not know to whom to turn so far as bids are concerned. Most of the hotel men know whom to turn to; I did not. I was a stranger here.

I should like to have these figures jotted down. I believe Colonel O'Brien would be interested in them. We received \$9,950. Frazure told me these figures for the blankets, pillows, bedpads, and shower curtains, which were outright purchases based upon my original costs, less depreciation of 30 percent, and it was 2 years' they allowed. The actual figure on that was \$2,341.48. That left now a net of \$7,608. I will leave off the pennies. Mr. Sachs, who was the expert on furniture, and I continuously called him for weeks afterward trying to get the furniture figured out, told me he knew that I was allowed \$2,500 for my furniture, which was ample, if he was telling the truth or knew what he was talking about. That leaves me now a net of \$5,108. Now, there are two facts that have been given to me. They tell me I was allowed certain rentals. I do not know how much, but I was allowed certain rentals in my adjustment. Colonel O'Brien stated Friday in the last portion of his paper that they were allowing a month or more, depending on the size of the building. Mr. DuPree got

1 months' rent here for a 30-room building. I have estimated I should be allowed 2 months because lately the Broad Ripple was turned back and I believe was allowed approximately 2 months. I may be wrong. That is hearsay, but allowing 2 months for 100 rooms would be \$4,500. That leaves me \$608 to fix the whole building, including painting, plumbing, and so forth.

I employed an eminent architect, namely, Roy France, who handles all my work for me, and who has built a number of these large hotels. I showed him the amount and he laughed. He said, "You don't expect to do it for that, do you? Here we go, hold your hat, we'll try." So we employed our own labor to try to cut the expenses down rather than to contract for it. I have been here personally since July. I am leaving for the North tomorrow, much to my regret. I brought my auditor down several weeks ago to help make up my tax reports and make up a transposition of these figures. I called Mr. Spooner up and told him what I would like to present, and he was very kind about it and said, "Stop in and see me," which I did.

All of the work has not been completed as yet, but to date we have spent \$22,377 on the building; allowing an additional 2 months for rent would bring it up to \$26,627. We had vandalism of \$497.14, or \$27,124 worth of actual damages, and I received \$9,950, or there is a difference of \$17,174.

The ACTING CHAIRMAN. What do you mean by vandalism?

Mr. BROWN. I am glad you brought that up, Senator. We had two rooms up there where, with the consent of the Government, we locked certain merchandise that belonged to the hotel and that they did not want to use. We put our own locks on them. We locked up lamps, dishes, chairs, and certain other items that were easily stored there. They actually broke the doors down, smashed them down, and took all the lamps out, as an example, and used them in all the rooms. They used the dishes.

The ACTING CHAIRMAN. They were not supposed to use those items?

Mr. BROWN. No, sir; incidentally, I might add that Mr. Halley, when he came down in July—and I had never heard of the man—happened to stop in the hotel and saw this hotel the day after it was returned. I took him through the building, showed him just what the conditions were, including this damaged door in the basement. How they ever smashed the doors down I don't know. When that was taken up with Mr. Frazure and Mr. Sachs, they said, "Mr. Brown, if it is not on the inventory we are not interested." I said, "Well, I should certainly get something for it." They said, "We are not interested. We know nothing about the lamps. The only thing we can allow you, according to the rules and regulations, is that which is on the inventory." Subsequently they allowed me \$1 per lamp for adjustment, and he said, "I'll have to trim this report up somehow to get you your \$1 per lamp," and this was in the trading.

Later on we brought out the fact that we were running into a lot of trouble with our septic-tank system up there. It was loaded. All the other hotels in Surfside had to build additional septic tanks. They all had their capacity doubled. The reason for that was, obviously, at my hotel, that they had anywhere up to a capacity, I understand from the sergeant who was in command and told me one day, of 540 men. That was tops. That wasn't for long, but I imagine they had at least

400 because they had 2 beds, as a rule—2 double deckers—6 or 8 beds per room. Obviously, with a septic tank system to accommodate 200 or 250 it wouldn't hold up.

I again spoke about this vandalism, and they again pointed out that they could do nothing about it.

Senator FERGUSON. The day you got the building back did you point out that the doors to the storerooms were broken?

Mr. BROWN. Oh, yes, sir. They were well aware of that. The report shows, on the part of the engineers, that these doors were broken down, and they allowed me, as far as I know, for a new door. The engineers—the two men who were up—were very fine. They wrote everything down, to the best of my knowledge, but, as they pointed out, it goes to Mr. Frazure; Mr. Frazure pointed out it goes to a committee to go over these figures and decide how much money you would receive.

Senator FERGUSON. You do not know whether the committee actually saw the building?

Mr. BROWN. I don't know that.

The ACTING CHAIRMAN. In your lease contract were these rooms excepted and authorized for storage?

Mr. BROWN. No, sir; there is nothing in the lease indicating those rooms were excepted from the building, if you wish to put it that way.

The ACTING CHAIRMAN. Was there anything in the lease indicating the excepted material?

Mr. BROWN. Mr. Butler handled that.

Mr. BUTLER. No; you see, there was no lease, sir. At the time they went in there was nothing except that option for \$27,000, and then they took possession.

The ACTING CHAIRMAN. Yes.

Mr. BUTLER. That was November 17.

Mr. BROWN. And I received the lease on December 26.

Mr. BUTLER. So you see it was a month and 9 days after we locked it up. At the time the Army came in one man came there to be in charge of that building.

The ACTING CHAIRMAN. Who was that man?

Mr. BUTLER. He was a lieutenant. He didn't stay but 3 weeks. He told us—we didn't know about it at the time, of course—that it was all right for us to utilize those rooms for storage. There was no lease on the day they took possession.

The ACTING CHAIRMAN. They did not specify what of your equipment they were going to use? That was not specified in the lease?

Mr. BUTLER. Yes, sir.

The ACTING CHAIRMAN. The things in those rooms were not listed on the inventory of what they were using?

Mr. BUTLER. That is correct, sir. It was just stated by the officer that those two rooms would not be needed by the Army if we wanted to store stuff there. We could padlock them and I ordered a locksmith to padlock them.

Senator FERGUSON. And you found your lamps removed from those rooms?

Mr. BUTLER. They chiseled the locks off; a great deal of stuff was taken out and used.

The ACTING CHAIRMAN. During the occupancy of these hotels did you have a commissioned officer in charge of each building, Major Mays?

Major MAYS. Senator, I don't use the building myself. I merely keep it up.

The ACTING CHAIRMAN. Weren't you here?

Major MAYS. Not at that time.

The ACTING CHAIRMAN. Is an officer living there and in charge of the building?

Major MAYS. The using service, sir, does not always have a commissioned officer on the premises. It is usually a noncommissioned officer who is called "charge of quarters" and who actually is responsible for keeping it.

The ACTING CHAIRMAN. You mean they turn a hotel over to a non-commissioned officer to be in charge of it and to stay there with those troops?

Major MAYS. There would be a commissioned officer in charge of some buildings directly, and a noncommissioned officer in other buildings.

Senator FERGUSON. Take a hotel of 100 rooms. Is that too small for one commissioned officer?

Major MAYS. I was not here at the time, sir, and I don't know, but I do not believe the whole time the Army occupied the hotel that they had a commissioned officer actually there.

Mr. BROWN. There was a Lieutenant Miller in charge of all the hotels in the Surfside area and he had noncommissioned officers as C. Q.'s in charge of this hotel.

Senator FERGUSON. How many rooms are there in Surfside; do you know?

Mr. BROWN. Including apartments and all, I would estimate about 1,000, I guess.

The ACTING CHAIRMAN. Didn't the using service realize that you cannot hold a noncommissioned officer for property accountability? There is absolutely no property accountability that can be fixed on a noncommissioned officer.

Major MAYS. A commissioned officer did sign the inventory and was responsible, but he was not physically there all the time, however.

Mr. BUTLER. We never got a signed inventory from the Army for 6 weeks after the building was taken over by them. Every time we would agree on everything, they'd transfer officers and we had it to do all over again. They transferred three officers in charge of that building before the inventory was signed. I made five trips up there.

Senator FERGUSON. When you got that inventory, did you protest that it was not a correct inventory showing the condition of the property?

Mr. BUTLER. Yes, sir. I had, as I told you to begin with, a number of hotels. One was taken over much earlier than this one and I had that very matter coming up. Seven weeks after they took this particular hotel over, they made the condition report. They sent it to the owner. The owner refused to sign it, said it was not a correct report on the condition of the building at the time the Army went in it.

The ACTING CHAIRMAN. Let me ask you this: In writing the condition report, they asked the owner to sign it as agreeing to its being the condition upon entering the premises?

Mr. BUTLER. That's correct, sir.

The ACTING CHAIRMAN. Did he have a representative or was he himself with the inspector who made the condition report?

Mr. BUTLER. At no time, sir.

The ACTING CHAIRMAN. Then how could he know?

Mr. BUTLER. He couldn't know, but the point was he didn't know and he refused to sign the condition report that was made 6 weeks after the Army took possession, so the Army stopped payment on his checks, and he got no income from it. He wrote me and sent me the condition report and said I could do with it what I pleased. They had stopped payment on his checks and he told me to use my own judgment.

The ACTING CHAIRMAN. I was not criticizing the post engineers on that question. The officer in charge of the building, the using service, as I understand it, was responsible for the building. Are you responsible for the upkeep and repairs?

Major MAYS. That is correct, sir.

The ACTING CHAIRMAN. In the Surfside area where this hotel was located, what officer in the using service was responsible for those hotels?

Major MAYS. I don't know his name, sir.

The ACTING CHAIRMAN. What service was using those hotels?

Major MAYS. The Army Air Forces.

The ACTING CHAIRMAN. What particular school or training center or what?

Major MAYS. Several different organizations used the buildings at different times. In other words, the way it operated was this, Senator: At the time the inventory was taken the inventory was made by an Air Force officer, and he signed that inventory and was responsible for it. Now, if some other organization came in and took that particular property, the responsible officer of the new organization would check the inventory—the listed inventory—against the physical inventory, would sign for it, relieving the former officer.

The ACTING CHAIRMAN. Didn't you have a central building officer who was responsible in the using services?

Major MAYS. No, sir.

The ACTING CHAIRMAN. Was there no central building officer in charge of the area who made the assignments of occupancy?

Major MAYS. They had housing officers, yes, sir; but the housing officer was not charged with the property.

The ACTING CHAIRMAN. I know that, but to make the assignments for the use of buildings, was there some central control?

Major MAYS. There is a housing board, yes; that assigns space to the different organizations.

The ACTING CHAIRMAN. What did the housing board consist of?

Major MAYS. It has varied a great deal. When I first came here, which was in June, we had what was called the permanent housing board, which was headed by Colonel Lerner. He had several officers and some warrant officers under him, but as I understand it, that had not been formed for so very long and its primary function, at least at the time I came here, was to accept the property from the responsible officers who were moving out and leaving, to hold it in custody, preparatory to turning the properties back to the owners, so at that time an officer in the permanent housing board would actually sign for

property, become custodian of it, clean the property up, and guard it until such time as it was ready to go back to the owner.

The ACTING CHAIRMAN. But in the interim, troops were moving out and moving in and you had no central building authority?

Major MAYS. There is a central record, yes, sir; that shows each organization that has been in each property. It is a matter of record in my office as to who has been responsible for the property since the original take-over and the time it went back. In other words, there is a list showing each officer who has been responsible for that particular property.

The ACTING CHAIRMAN. All right.

Senator FERGUSON. Mr. Brown, when you receipted for this inventory you signed a certificate. Mr. Brown's name is signed to this certificate?

Mr. BUTLER. Yes, sir.

Senator FERGUSON. Did you sign his name?

Mr. BUTLER. On written authority from him; 6 weeks after the Army took possession we finally got an inventory.

Senator FERGUSON. You actually signed a certificate?

Mr. BUTLER. Correct, sir.

Senator FERGUSON. And you signed that as correct?

Mr. BUTLER. Yes, sir.

Senator FERGUSON. Did you not expect trouble if you signed that an inventory was correct that was not correct?

Mr. BUTLER. No. It was correct for everything that was in use by the Army, sir.

Senator FERGUSON. But the actual condition of the property?

Mr. BUTLER. The condition report is separate.

Senator FERGUSON. Isn't the condition marked on here? [Referring to document].

Mr. BUTLER. No; they are two separate instruments.

Senator FERGUSON. The condition is marked on there.

Mr. BUTLER. I went back to show you that I had been through this before—

Senator FERGUSON. Did you sign the condition report?

Mr. BUTLER. Yes; but let me explain how I signed it.

Senator FERGUSON. But you did sign it?

Mr. BUTLER. Yes; but let me explain how, sir.

Senator FERGUSON. Was it correct?

Mr. BUTLER. No, sir.

Senator FERGUSON. Then why did you sign it?

Mr. BUTLER. I am going to explain that. On another hotel the owner was in the North. They sent him the condition report 6 weeks after—mailed it—the Army had taken possession of the building. He refused to sign it. They stopped payment on his checks, so he had no income coming from the building.

Senator FERGUSON. So you took that as a precedent that if you didn't sign this you wouldn't get a check?

Mr. BUTLER. Yes, sir. He sends it to me and says, "I have washed my hands of it. You get the income from the Government." He doesn't sign it, but gives me the authority to get his check, so I go to see one of the officers in the engineers and explain the whole situation to him, and he was just as nice as he could be and said, "Yes; we have

stopped payment on the check." I said, "You don't expect me to sign a condition report where the owner and I were not present." He said, "You can sign it with some exceptions if you want to." I said, "That's fine. That's all I want to know. Will I get my check if I sign it with certain exceptions?" He said, "Yes; we'll pay the check." So he took me and introduced me to the property secretary, who wrote on the bottom of the condition report that the report was being signed under protest because of the fact that it was made without a representative of the owner of the hotel being present and because it was made 6 weeks after the Army went in. I signed it under protest for those reasons.

Senator FERGUSON. Did you sign Mr. Brown's name under protest?

Mr. BUTLER. Yes, sir.

Senator FERGUSON. Do you have a copy of it?

Mr. BUTLER. This is the one the Government returned to me.

Senator FERGUSON. I did not see a protest on that.

Mr. BUTLER. That is the way I signed one.

Senator FERGUSON. You do not know whether you put that protest on Mr. Brown's report?

Mr. BUTLER. I don't remember, sir. I think I signed all of them that way.

Mr. BROWN. Nevertheless, I also spoke to Mr. Frazure that if they would do the work, could we have a committee of three, and he told me they were not permitted to have any committee inspect the property for the benefit of the lessee.

The ACTING CHAIRMAN. This condition report states:

We certify that we have jointly and severally satisfied ourselves after making a physical inventory of such items of property as was found to be necessary for this purpose.

Mr. BUTLER. They are two different instruments.

The ACTING CHAIRMAN. Wait until I finish.

That the foregoing statement of balances, consisting of two pages, is a true and correct statement of the property—

and so forth—

as taken this date and confirmed in detail with the management of the said hotel.

In each one of these there is a certificate of joint inspection. If in the inventory and the condition statement the owners were not permitted to join in the inspection that is a false statement.

Senator FERGUSON. Right on the very page where the certificate is is this: "Condition of furniture and equipment, Arnold Hotel, 201" (that is the room number) "dresser, cigarette burns, chair seat soiled." In other words the report is right in there as to the condition of each piece of property, and you or Mr. Brown or someone here signed it without any condition or anything else. There is the signature. It is a photostatic copy and this comes from your file.

Mr. BUTLER. What would you do if you knew that if you did not sign it your checks would be stopped?

Mr. BROWN. In fact, I never did get any money for May and I had to wire for it because my bank roll was getting low.

Senator FERGUSON. You know when businessmen sign papers without any protest that they are considered as being proper papers?

Mr. BROWN. Senator, at the moment I have defective papers given to me some weeks ago and I refused to sign those defective papers. That is to say a group of papers had been signed in relation to release of the hotels, because I couldn't find my keys to the deposit boxes up there. Why the Government kept deposit boxes for the soldiers, I do not know. They require two keys. So I decided I was not going to sign these papers and I haven't. I have several letters back and forth between a Mr. Sutherland and myself, and I did not sign them. I took it up with Mr. Sutherland by registered mail, but they since came along and decided my original papers now are apparently satisfactory, so it does not work always in a case when you refuse them, and the others now become satisfactory. They are not now defective. I do not know why they are not defective because I never inquired.

Senator FERGUSON. I will read this into the record:

AUGUST 26, 1942.

J. M. ROSE,

Care of N. A. Hankoff, Pittsburgh, Pa.

DEAR SIR: In re your letter of August 20, this office wishes to advise that no payment of rental will be made on the Royal Palm Hotel until signed consolidated inventories and condition reports are returned. You are at liberty to hold this matter in abeyance until you return home, but vouchers for payment of rental will be withheld until all records are completed.

For the post engineers:

JOEL A. CLARK, *First Lieutenant,
Corps of Engineers Assistant.*

That is on the letterhead of the Air Corps, First District Technical Training Command, Office of Post Engineer, Miami Beach, Fla.

(The document referred to was marked "Exhibit No. 993" and appears in full in the text above.)

Senator FERGUSON. A gentleman from the audience handed you that?

Mr. BUTLER. Yes.

Senator FERGUSON. And you say that is the same language you received; is that correct?

Mr. BUTLER. Except the particular one I referred to they actually made payments to us and when the condition report did not come in they stopped payment on future checks.

Senator FERGUSON. Did you not expect trouble if you signed a paper that a dresser was burned when it was turned back to you? Did you not expect to have trouble over that burn?

Mr. BUTLER. I actually did not sign these; my secretary signed them during my absence. All I signed myself I put the protest on and you will find them so protested with respect to the other hotels. My name is not signed to that.

Mr. BROWN. Senator, Mr. Sachs knew the furniture was new when the Army walked in. He said, "Brown, I have no choice except to put it down, even though the soldiers did burn the furniture." I am not making an issue of that. I bring it up as a fact. It was a brand-new hotel; everybody on Miami Beach knows that—everyone. Nevertheless, we end up here with the fact that I saw Mr. Spooner in reference to these figures, as I had originally promised. I believe others would like to get on the stand now, however, and I would like to give them a chance, if you don't mind. But I wrote Mr. Spooner and

said, "Since my papers are now defective, perhaps I am in the driver's seat." I talked to Mr. Spooner; he was very fine. He talked to Mr. Butler and me and said, "I'll let you know." He then gave me, or forwarded me, a form, AR 100-64, a real estate claim, and asked me to submit it in triplicate with such papers as I saw fit. The form was filled out and forwarded to Mr. Spooner on December 17, sworn to, showing the amount of money spent, showing the amount of money that was allowed, and I have noted an acknowledgment to this claim. I spoke to Mr. Spooner the other day and he said they had been forwarded to Washington but he has heard nothing from them and I do not know, of course, what will happen to this claim. However, the indications and the questions on the 100-64 make it appear that it is for vandalism only, I believe.

I believe I will have to go through the Court of Claims to get this other money. Regardless of what happens, I am going to follow this thing through until I am thrown out of court. Regardless of how much it may cost me, I shall do that, because I have always been assured that the hotel would be returned the way it was received by the Government. It was not, not by the widest stretch of imagination.

For example, our kitchen up there, which the Government took as part of the property, was painted by the Medical Corps. They painted the ranges, the stoves, everything in sight they painted. They told me that they allowed \$17 to remove the paint. I offered \$50 if someone would take the paint off. It cost me, to fix the kitchen, about \$450, because they had sawed all the pipes off level with the concrete on such kitchenware which they moved. When you put it back you have to chisel the concrete away, rethread it, and do the best you can. I never had a chance to inspect my kitchenware. They said it was all there. I said, "Let someone check it." It was not all there, it was subsequently found out, but I was told they had an expert—Mr. Frazure and Mr. Sachs had an expert—to check my kitchen. I never did check my kitchenware. I gave in, in absolute, utter disgust.

The ACTING CHAIRMAN. Getting back to the stuff that was moved and sawed off, would it be possible to disconnect that and move the stuff without sawing it off?

Mr. BROWN. They could have; the pipe would have been above the concrete about 6 inches and, of course, they gave all the men their shots in the Arnold Hotel and thousands of them have gone through that hotel during the period. They would go into the bar room where they filled out certain papers, because I have been in there with Major Harding at the time Major Harding was the post engineer in a position similar to Major Mays' position. I asked him if he had spent any money on the building. He said, "I have spent \$75 in maintenance costs." That was back in March or April 1943. I saw the sergeant over there one day, because I live there, and I was driving down and I would pick up soldiers, always, so I spoke to him about the maintenance. He advised me the maintenance work consisted of this: If a window were broken and the rain was coming in it was repaired and that was maintenance work, but as long as you could open the window or door it was not maintenance work. There was no maintenance unless it was broken; it had to be broken.

Senator FERGUSON. If they could use it they did not fix it?

Mr. BROWN. Absolutely.

When we spoke of negotiations, Mr. Frazure would put most renegotiators to shame. He should come back as a renegotiator for the United States Navy. He would be an expert. He is good! I'll take a renegotiator from the Navy any day.

Senator FERGUSON. They are supposed to be tough, are they not?

Mr. BROWN. They are tough, but this man is Jesse James. I still say, in all fairness, that I have no crow to pick, because, unfortunately, I know that there are some men in Miami Beach who, if they did not have another bank roll to turn to, would go bankrupt. I am just plain lucky; that's all. But supposing I were not able to turn and raise or have available \$25,000 more? What would I have done? I would have lost that hotel, and I do not believe that was the intention of the Government. Mr. Frazure's attitude at all times was this: "I am representing the Army and the taxpayers. You are dealing at arm's length." That statement was made. I condemn Mr. Frazure's methods, his techniques. Whether he was authorized or not, I do not know, but nevertheless—

Senator FERGUSON (interposing). There is one thing I want to clear up on the record. This inventory and the condition report, while they did indicate things that were not wrong with the furniture, that is not the whole difference between you and the Government?

Mr. BROWN. No, sir; not necessarily.

Senator FERGUSON. That was a small item? That had nothing to do with the condition report of the furniture, of course.

Mr. BROWN. For example, I was allowed something for my lawn, which they claimed was not necessary, but they bring these soldiers up and set them on the lawn. They get their shots and they take them out, and then they walk them up Collins Avenue with the medical wagon back of them, and they ruined the lawn. Mr. Frazure allowed me \$50 to fix the lawn. I took it up later with Major Mays and he consented to fix up the grass and shrubbery which was in bad shape. Inadvertently, I received a bill for bushes and grass only and it was \$170, from the Exotic Gardens. The post engineer had eight men up there for one day and four men for half a day, so you can readily see the original allowance certainly would not have covered it, when you can't buy the bushes for the place for \$10 or so. Mr. Frazure pointed out, "You are dealing at arm's length with the Government." He pointed that out many times. The renegotiators don't do that. They use facts.

Mr. BUTLER. May I sum up this thing as I see it?

The ACTING CHAIRMAN. Go ahead.

Mr. BUTLER. Two weeks before the Army took over, Mr. Brown was offered \$35,000 for civilian occupancy for the year. He knocked off first \$8,000 to let the Army have it at \$27,000. Actually, his rental that he got back, because they did not stay in it a year, amounted to \$19,000. Now, here is an item. There was another \$8,000 that he lost, so from his \$19,000 he got instead of \$27,000, and \$27,000 instead of \$35,000, or another loss of \$8,000. Then, taking the \$19,000 figure that he actually got, in round figures, he had \$2,300 deducted from the \$19,000, which left \$16,700. That was actual rental because he had to put the furniture in storage and take up the carpets and bear that expense. The \$2,300 deducted from the \$19,000 left \$16,700. Deducting from the \$23,000 that it cost him to put the building back in proper shape to use for civilian purposes again, the difference between \$23,000

and the \$10,000 that he got from the Army, left \$13,000, and deducting \$13,000 from the \$16,700, and he gets \$3,700 and his interest alone on his mortgage was \$9,000. So you can see how much rent he got from the Army, besides wear and tear on the building that you cannot put your finger on, when that many men tramp in and out of a building. All the money you spend on it, there is certain wear and tear that you cannot compensate for.

In the final analysis, he got less than his interest.

Senator FERGUSON. I want to ask you this: You drew a conclusion, Mr. Butler, that this was to be occupied until 6 months after the war. What facts led you to draw that conclusion?

Mr. BUTLER. The entire tenor of the negotiations, sir. If they had come to us and said, in round figures, "We will pay you \$2,000 a month for your building," then we would have had that in our minds. We would have been negotiating on that basis, but the entire tenor of the negotiations was set up that way.

Senator FERGUSON. Did the option have a provision for cancellation on 30 days' notice?

The ACTING CHAIRMAN. The option, not the lease.

Mr. BUTLER. There was no lease. I do not recall, sir. I will say that I was aware of the fact, from other leases and discussions with the Army, that there was a 30-day cancellation clause when the lease would be drawn up.

Mr. BROWN. Recently, of course, and I was one of the first hotels turned back and I led the parade, but from then on I was the guinea pig, and I understand from Mr. Roy France, who is an architect on the Broad Ripple Hotel, a 100-room hotel similar to the hotel here, that they received \$23,000 for adjustments.

Senator FERGUSON. When was that?

Mr. BROWN. Say 6 weeks ago. Why then should I get \$9,950 and they should get \$23,000 today? I don't know whether that is too much or too little. I do know they are receiving a month's or 2 months' rent. That has been testified here. I did not get it, to the best of my knowledge, and I would like to have that file brought out in Washington. I will be glad to come to any meeting at any time at my own expense. If they would only bring that Arnold Hotel file out and find out what Mr. Frazure did and what was actually done, I should appreciate it, because he stated several times, "I had to dope this thing up a little bit." I did not know we ever had to dope up anything for the Government, the Revenue Department, the negotiators or anything else, with Uncle Sam, and I have had a lot of business to do on both sides of the fence.

Senator FERGUSON. Thank you.

The ACTING CHAIRMAN. Mr. Halley wants to ask a few questions.

Mr. HALLEY. Major Mays, are you in charge of keeping the hotels and apartments which the Army occupies in condition; that is, day to day maintenance?

Major MAYS. That is right.

Mr. HALLEY. How many hotels and apartments do you have in your charge?

Major MAYS. All these on the beach.

Mr. HALLEY. Have you any idea of the number?

Major MAYS. Let's see. At the present time we have about 249, I think.¹

Mr. HALLEY. How large a staff have you for maintenance?

Major MAYS. I have a total pay roll right now of about 775 people.

Mr. HALLEY. And how many of those 775 people are engaged in actual maintenance work on the properties?

The ACTING CHAIRMAN. Men who are actual workers and foremen.

Mr. HALLEY. Men who are actually engaged in maintaining the properties.

Major MAYS. That is a little difficult to answer.

Mr. HALLEY. Can you estimate that?

Major MAYS. I'd say, roughly, 50 percent of those people are engaged in maintenance.

Mr. HALLEY. Would you be sure of that?

Major MAYS. Well, it is merely an estimate, because we do a great deal more than maintenance. We do a lot of nonrecurrent work, such as alterations and additions.

Mr. HALLEY. I am referring to maintenance.

Major MAYS. It varies so much it is hard to say.

The ACTING CHAIRMAN. What you mean is that you might be using a man for 2 days putting in a partition and then you will use the same man for a couple of days on direct maintenance and repair, and then the same man may be used for putting in partitions somewhere. Therefore, you have no definite maintenance staff; part of your staff is what you might call construction staff.

Major MAYS. That is correct, sir. In other words, I have a construction shop, a lumber mill, plumbing shops, and things like that. These men all work out of the shops. They may be working on construction one day and maintenance the next day.

Mr. HALLEY. Have you any individual charged with the maintenance of each particular building? One man who would be responsible for the continued maintenance of one particular building?

Major MAYS. We do not work like that; no, sir. We do have an inspection staff that goes around inspecting the buildings periodically so as to see if there is any recurrent work that is necessary.

Mr. HALLEY. How large is that staff?

Major MAYS. About six.

Mr. HALLEY. They inspect two-hundred-odd buildings?

Major MAYS. That is right, Mr. Halley; yes, sir. But, you see, we don't need such a large staff for that particular purpose, because we depend on the using service. In other words, if something needs doing, the man in charge of quarters informs them, who, in turn, inform me.

Mr. HALLEY. That particular person would not be a trained maintenance man, would he?

Major MAYS. Not particularly; no.

Senator FERGUSON. Would he be an Army officer or a civilian?

Major MAYS. He would be an Army officer or a noncommissioned officer.

Senator FERGUSON. He may have had no experience in private life in that kind of work.

¹ The following memorandum correcting this figure was submitted by Major Mays: Peak housing facilities, 349; returned to owner, 155; present housing facilities, 194.

The ACTING CHAIRMAN. If a window is broken in a certain hotel, the noncommissioned officer in charge of quarters reports that to his immediate superior who, in turn, sends it to the using services. It comes to your office and you send an inspector out who determines what is to be done and you do it?

Major MAYS. That's correct; yes, sir. We make no attempt to keep these buildings in the condition they were in in civilian occupancy. There would not be enough money to do that.

Mr. HALLEY. Major Mays, at the peak of your occupancy, there was something over 350 buildings; is that right?

Major MAYS. Three hundred and forty-eight, I think.

Mr. HALLEY. And did you have a larger maintenance staff or a smaller maintenance staff or one about the same size at that time?

Major MAYS. Well, I came here the 1st of June last year and at the time I came here we had about 1,000 employees.

Mr. HALLEY. And would you say that 50 percent at that time were actually engaged in either maintenance or alteration and repair work?

Major MAYS. I'd say that, roughly, yes; it breaks down to about 50 percent straight through.

Senator FERGUSON. Would you say that Mr. Brown's statement is correct: That if they could use the buildings they would do no maintaining? If a hotel got in such condition that it could not be used, you then repaired it. Is that a fair statement?

Major MAYS. Yes, sir; from one aspect of it I say it is. As I explained a while ago, we made no attempt to keep the places all spruced up. In other words, we did not do anything that was not necessary.

Senator FERGUSON. If a window was cracked, you would not put in a new one, but if it was broken out and the wind and rain came in you would put in a new pane?

Major MAYS. That's right.

Mr. BROWN. There were about eight jambs off the doors. I asked why they had not been repaired. They said, "We can't put that in until the door is off."

The ACTING CHAIRMAN. Do you mean the door stops?

Mr. BROWN. The door stop was off and the door goes through. There were about eight of those doors and I showed Mr. Halley himself several of those in the rooms, and I said that if they were doing proper maintenance work that would never have existed. They could go around and make reasonable inspection at times. I am not criticizing; I am merely trying to explain that the word "maintenance" was not a true word in relation to maintenance of a privately owned building.

Senator FERGUSON. If a door stop were loose and you saw it was going to break off, you'd fix it, would you not?

Mr. BROWN. That's right.

Senator FERGUSON. What was your work in civilian life, Major Mays?

Major MAYS. I was a plant engineer, sir.

Senator FERGUSON. You have never had anything to do with repairing hotels?

Major MAYS. Yes, sir.

Senator FERGUSON. What did you do in the plant?

Major MAYS. As plant engineer—it was quite a large plant.

Senator FERGUSON. What kind of plant was it?

Major MAYS. One of these plants that is owned lock, stock, and barrel by one management.

Senator FERGUSON. What did they do?

Major MAYS. First we owned, I think, about 1,500 acres of land, some of which was in farms, and we had a dairy, grew some cotton. Then we had a village of 600 units, and a hotel. We had a sort of civic center. We had our own motor company, our own department store.

Senator FERGUSON. Where was this located?

Major MAYS. In South Carolina, sir.

Senator FERGUSON. What was your job?

Major MAYS. We had our own railroad, our own telephone system. We had a hydroelectric plant, and a large steam plant. We had our own filter plant. We had a cotton gin, oil mill, and I think I said telephone company. We had two large cotton mills. We had a large dye plant, a large cloth printing plant, a large cloth fabricating plant. We bought no utilities; we provided our own. My particular job was the maintenance of the whole thing.

Senator FERGUSON. Colonel O'Brien, I would like to ask you one question or two on the record. Does the Government contend now, or claim now, that by signing these condition reports the owners of the buildings are estopped from claiming to the Government that the property was not in that condition?

Colonel O'BRIEN. That is the position the Government takes; yes, sir.

Senator FERGUSON. The Government takes the position that the Government, knowing the reports were false, now contends the owner was estopped from claiming that it was false? Is that true?

Colonel O'BRIEN. Not particularly on the basis of the reports, Senator, but on the basis of the final settlement agreement.

Senator FERGUSON. First, I want to know what the Government's contention is on this report.

Colonel O'BRIEN. As I stated the other evening, we recognize the fact that those reports cited the condition as of the time they were made.

Senator FERGUSON. The Government knows that in this case it was made some 6 weeks after occupancy?

Colonel O'BRIEN. Yes, sir.

Senator FERGUSON. Does the Government now claim estoppel on the part of the owner, that he signed it as of that time?

Colonel O'BRIEN. No, sir.

Senator FERGUSON. You do not claim estoppel on that?

Colonel O'BRIEN. On the basis of those reports; no, sir.

Senator FERGUSON. The next step is when a man, for instance Mr. Brown, related his story as to how he took the \$9,950, do you claim estoppel as far as the Government is concerned?

Colonel O'BRIEN. If Mr. Brown signed the release that is required, we do claim he is estopped.

Senator FERGUSON. Under the conditions which he has related here you claim absolute estoppel?

Colonel O'BRIEN. Yes, sir.

Senator FERGUSON. And you contend the manner in which that release was obtained was fair dealing upon the part of the Government?

Colonel O'BRIEN. Yes, sir.

Senator FERGUSON. Your contention is that is is the proper procedure and should be continued in the future?

Colonel O'BRIEN. Yes, sir.

Senator FERGUSON. To get these releases?

Colonel O'BRIEN. Yes, sir.

Senator FERGUSON. I just wanted your contention on the record.

The ACTING CHAIRMAN. Does your office in Washington know that in making these condition reports the owners or agents were not permitted to be present when the inspection was made?

Colonel O'BRIEN. No, sir; I would not know that. The condition report or the inventory is made by the using service.

The ACTING CHAIRMAN. But that report itself, unless that man was notified and allowed to be present, is a falsity in itself, because it has a certificate signed by a commissioned officer of the United States Army and also by the owner or his representative to the effect that the inspection was made by both parties; therefore, it is a false certificate unless notice was served on these people and they were given an opportunity to make that survey with the representatives of the Army. That is the point I was trying to bring out a few minutes ago—provided there was knowledge of that fact by the Army.

Senator FERGUSON. That is one of the things I had in mind. The Government knew it was false. They had one of their officers sign it and now contend there is estoppel. The same thing is true with respect to the settlement. In other words, does the Government contend now that it is fair for a man in the employ of the Government to tell a man that he cannot get his check for 6 months, possibly, if he claims more than \$10,000? Is that a fair statement by a Government agent?

Colonel O'BRIEN. I do not think anybody was told that, Senator.

Senator FERGUSON. This man has sworn under oath that he was told that, and I ask you whether you approve all the procedure that was related here this morning, and I understand you approve that procedure.

Colonel O'BRIEN. The procedure required that the settlements could be handled up to \$10,000; over that they had to be approved in Washington.

Senator FERGUSON. What about a man telling an owner or agent that he could not get a settlement for 6 months if it went to Washington?

Colonel O'BRIEN. I certainly do not approve of that.

Senator FERGUSON. This man has sworn to that.

Colonel O'BRIEN. I do not approve it, if he was told that.

Senator FERGUSON. Do you not think you should not claim estoppel when a man is told that?

Colonel O'BRIEN. I think—

Senator FERGUSON (interposing). You claim estoppel now. You claim this man signed it and that is the end of it. Probably in law, strictly speaking, that is true. His only remedy would be in equity to set aside this instrument for fraud and then go in and claim. Does the Government claim that when Mr. Brown signed that release and accepted \$9,950, knowing all the facts and without—I want to make this very clear—admitting that anybody has told anyone that you were

going to be months and months getting your money out of Washington, that that release is final?

The ACTING CHAIRMAN. In other words, if no coercion were used that release is final and I heartily agree with you if there is no evidence of coercion.

Senator FERGUSON. You tell a man he was to wait 6 months, and if he has no other funds, his building would lie there idle for 6 months.

Colonel O'BRIEN. I was not present at the settlement and the negotiations, Senator, so I cannot say whether or not he was told he would have to wait 6 months.

Senator FERGUSON. You certainly do not approve of a representative of the Government telling a man he would have to wait 6 months to get his claim through Washington.

Colonel O'BRIEN. No, sir; I do not.

Senator FERGUSON. If he did say that, would you contend that that vitiates the whole deal?

Colonel O'BRIEN. I don't think so, under the circumstances, because Mr. Brown stated he was not particularly disturbed about how long it took to get the money.

Senator FERGUSON. You don't think that influenced him to take the \$9,950 when they offered him \$11,500? They offered him \$11,500 and he has taken \$9,950, and you don't think the 6 months' period had anything to do with it?

Colonel O'BRIEN. Based on Mr. Brown's statement that he was not particularly pressed for money, I am at a loss to see why he would give up the difference.

The ACTING CHAIRMAN. Just a moment. There is one factor in there that I do not know and I want Mr. Brown's attention and Mr. Butler's, too, on this. We had some testimony, and I don't know whether this took place in this negotiation or not, to the effect that the building would not be turned over until release was signed. Did that occur in your transaction? That might mean that he would therefore sign.

Mr. BROWN. In all fairness to Mr. Frazure, as far as I know we were one of the first hotels turned back, and all the rules had not been properly defined. There were some things he probably was not sure of. As an example, the vandalism was later on cleared up. When I talked to Mr. Frazure, with all fairness to him, he did not know how to handle it. I do not criticize him on that. He just did not know. We were the first ones, probably, that ran into it, brought it up, and Mr. Butler took it up with the commanding officer here and said there must be forms that you could make out, certified before a notary, stating these things were stolen, don't you know, but at the time that Mr. Frazure made it he was not aware of it. There were a many things Mr. Frazure, in my opinion, at the time did not know—how far he could go. I felt I was the guinea pig because I certainly was slopping around an awful lot. I just would like to bring this out: For example, under date of September 13, from the War Department, Real Estate Project Office, a letter signed by L. B. Southerland, the last paragraph of which states:

These agreements have not been received by us, and it is requested that you execute and return them at your earliest convenience in order that we may complete our records and close our file.

Those records have never been signed by me. They are still here, and yet they come along and say, "Here are your agreements, win, lose, or draw." Now, I have refused them, but they claim they are signed now. What has happened? Overnight—

Colonel O'BRIEN (interposing). I cannot answer that.

Mr. BROWN. I refused and I still got the hotel back.

Senator FERGUSON. Major Mays says he can answer that. Do you want to put it on the record?

Major MAYS. Yes, sir. I can answer that. The supplemental agreement as originally drawn did not have attached to it a schedule A (in the beginning there were several supplemental agreements drawn that did not include a schedule A when schedule A should have been included) and schedule A covers 160 gallons of fuel oil. That is the only difference that I know of between the original supplemental agreement and this one. The purpose of the supplemental agreement—I mean of the schedule A to the supplemental agreement—was to transfer certain items that had been sold to the lessor at the time of the negotiations. This particular case covers 160 gallons of fuel oil.

Now, there was no particular reason for making a schedule A on this fuel oil. If it had been a piece of nonexpendable kitchen equipment, for example, we would have to have a schedule A in order that I could drop it from my property accountability, but fuel oil is expendable and does not have to be dropped in that fashion. Therefore, a schedule A is not necessary in this form; therefore, the original supplemental agreement is perfectly all right and satisfactory to the Government without schedule A.

Mr. BROWN. I should like to make another statement on that. The question came up before I signed these corrected—or asked to sign these corrected—supplements. We could not find our key to the deposit boxes. When that was taken up, however, by oral conversation, they acknowledged they had to do something about it. In order to get these papers signed, they did fix my lock boxes by having an expert come up and drill open several boxes in order to find out what the soldiers had done with the keys, which they subsequently found. In one breath, then, the papers were apparently defective, in order to get the lock boxes, which were part of the building as yet and not an expendable item, but when it comes to an expendable item, it is apparently different. I am not trying to make an issue of the fact that these papers perhaps are not correct. All I know is that I haven't signed them and I do not intend to sign them. Whether my file is closed this minute, I don't know.

Senator FERGUSON. All right, Mr. Brown. Thank you.

Mr. Malone.

Mr. MALONE. I would like to appear before the committee and I can be brief.

The ACTING CHAIRMAN. Do you swear the evidence you give in the matter now in hearing shall be the truth, the whole truth and nothing but the truth, so help you God?

Mr. MALONE. I do.

TESTIMONY OF FRANK MALONE

Mr. MALONE. In the morning newspaper, Saturday, concerning Mr. Weil's statements, he testified before this committee that on March

12, I believe it was, 1942, in a radio broadcast that I made a suggestion that the people of Miami area tear down these hotels stone by stone.¹ I came here to say for the sake of the record that at no time on that date or on any other date did I either directly or indirectly suggest that the people of Miami tear down the hotels in Miami Beach stone by stone. I am not given to uttering blasphemies myself. If you gentlemen wish a copy of that broadcast I will be glad to send it to you.

Senator FERGUSON. We wish you would.

Mr. MALONE. I will do that.

Senator FERGUSON. Thank you, Mr. Malone, for coming up. Mr. Keefer, please. Is Mr. Keefer here?

The ACTING CHAIRMAN. Do you solemnly swear the evidence you give in the matter now in hearing shall be the truth, the whole truth and nothing but the truth, so help you God?

Mr. KEEFER. I do.

TESTIMONY OF E. D. KEEFER, M. A. I., REALTOR-APPRAISER

FACTORS DETERMINING APPRAISALS OF MIAMI HOTELS

The ACTING CHAIRMAN. State for the record your name.

Mr. KEEFER. E. D. Keefer.

The ACTING CHAIRMAN. Business, address.

Mr. KEEFER. Professional appraiser of real estate. My business address is 530 Lincoln Road.

The ACTING CHAIRMAN. You carry on your business in the Miami area as an appraiser?

Mr. KEEFER. Southeastern portion of Florida.

The ACTING CHAIRMAN. Go ahead.

Mr. KEEFER. I have a prepared statement I wish to read. I have here copies of my qualifications, if you care to look at them.

Senator FERGUSON. You can just file this and we will put it in the record to save a lot of time.

(The document referred to was marked "Exhibit No. 994" and is included in the appendix on p. 9131.)

Mr. KEEFER. I have been able to attend two of the sessions of this hearing, the hearing on Wednesday, January 5, and the hearing Friday evening, January 7. At these hearings and the newspaper accounts of the other hearings, I have heard and read of accusations of coercion and denials of coercion; of discrimination and denials of discrimination; of the methods by which housing accommodations were acquired; of the method by which appraisals of hotels were processed; and a great many more things that were going on.

I have heard or read very little factual data relative to what rental was actually paid to owners for their facilities and what such facilities were actually worth, which, in my opinion, is the information your committee is seeking.

My interest in the whole matter is only that of a professional real-estate appraiser. My time is devoted exclusively to the appraisal of real estate and has been for many years.

The Army has engaged my services for formal appraisals of the Nautilus Hotel and the Governor Hotel at Miami Beach, the Biltmore Hotel at Coral Gables, the Hollywood Beach Hotel at Hollywood, and the Breakers Hotel at Palm Beach.

¹ See Supra, p. 8732.

The Navy has engaged my services for formal appraisals of the Alcazar and Venetian Hotels at Miami, the Hollywood Beach Hotel and Country Club at Hollywood, the amphibious base, and New Burston Hotel at Fort Pierce (over 300 ownerships); the airplane training base at Fort Lauderdale (89 ownerships); the Airplane Satellite Field at West Prospect, near Pompano, and the Flamingo Hotel at Miami Beach.

I have with me here a record of the sale of 70 hotels which were sold within the 6 years prior to Pearl Harbor. Of these 70 hotels, 22 were sold and leased during the 6 years for periods ranging from 1 to 10 years. The ratio of the rent paid to the purchase price of the 22 hotels sold and leased during the 6-year period ranged from 11.1 percent to 22.9 percent and averaged 14.9 percent.

Senator FERGUSON. You mean that is the rental on the appraised value.

Mr. KEEFER. That is the ratio of rents to the sale price.

The ACTING CHAIRMAN. The all-over ratio.

Mr. KEEFER. The average ratios ranged from 11.1 percent to 22.9 percent. I might state, the ratio that you will work out all depends on the proportion of depreciable assets to lands. If you have an inexpensive hotel on expensive land, your rental is lower. If you have a very expensive hotel on inexpensive land your rental would be higher, that is the percent of rental to over-all value. Your depreciating assets are a greater proportion of the total investment.

I have with me here a record of 66 hotels which have been sold since Pearl Harbor. Of these 66 hotels sold since Pearl Harbor, I have a record of 14 of them that had been leased to private hotel operators before Pearl Harbor.

Of these 14 hotels which have been sold since Pearl Harbor, the ratio of the pre-Pearl Harbor rent paid to the purchase price ranged from 13 percent to 21.3 percent and the average was 16.8 percent.

I have with me here a record of five hotels which have been sold and leased to private operators since Pearl Harbor. The ratio of rent paid to purchase price ranged from 16.9 percent to 21.6 percent and the average was 20 percent.

These records are obtained from recorded instruments from real estate brokers, sellers, purchasers, lessors, and lessees, and are believed to be correct in a preponderance of the data and reasonably correct in all of the data.

In the testimony last Friday evening, the statement was made that the rent paid to the owners of the hotels averaged about 11 percent of appraised value. We then have an average rental paid by the Army of 11 percent.

The rental before Pearl Harbor for the 22 hotels for which I have a record, averaged 14.9 percent of sale price and ranged from 11.1 percent to 22.9 percent. The pre-Pearl Harbor rental for 14 hotels sold after Pearl Harbor averaged 16.8 percent and ranged from 13 percent to 21.3 percent.

Senator FERGUSON. When you speak of sales price do you mean cash?

Mr. KEEFER. I mean the price at which the property was sold, part cash and part mortgage at all times.

The ACTING CHAIRMAN. That's the total price including the cash payment.

Mr. KEEFER. That's right.

Senator FERGUSON. You don't lose a land contract in dealing?

Mr. KEEFER. I don't know what you mean.

Senator FERGUSON. A land contract. You have a sale here, deed in mortgage. You don't have what is known as a land contract.

Mr. KEEFER. We had deed and mortgage.

Senator FERGUSON. I see.

Mr. KEEFER. The rental paid for 5 hotels sold and leased since Pearl Harbor averaged 20 percent of sale price and ranged from 16.9 percent to 21.6 percent.

In the testimony Friday evening it developed that the Army did not pay the rental values estimated by the civilian committee but did pay a percentage of the value estimate after a deduction from such value estimate was made for articles of furniture removed from the hotels, which furniture the Army did not need.

Senator FERGUSON. Were you a member of the committee that did the appraising?

Mr. KEEFER. Yes.

Senator FERGUSON. Do you know whether that is a fact that you just read.

Mr. KEEFER. I am explaining it.

One of the premises upon which the rental established by the civilian committee was based was the removal of all furniture but bare essentials, that is, beds and bedding, dressers and chests of drawers, venetian blinds, shades, and carpeting that could not be removed. In many cases carpeting and padding material for carpets were laid on sub-flooring and could not be removed.

If after receiving the value estimates of the civilian committee, the Army deducted from that value these articles of furniture and furnishings which were removed from the hotels, an injustice was suffered by the owners.

I have with me here a partial list of hotels taken and the estimates of value reached for the furniture and furnishings in these hotels by the civilian committee.

(Estimate of furniture values referred to was marked "Exhibit No. 995" and is included in the appendix on p. 9132.)

Mr. KEEFER. In this group of 24 hotels the value estimates reached by the civilian committee for the bare essentials in furniture and furnishings was 69 percent of the estimated value of a full complement of furniture and furnishings of the same hotels in ordinary commercial usage.

One case in point, by way of illustration, was the Shelbourne Hotel, in which case this committee valued the bare essential furniture and furnishings at \$350. A full complement of furniture and furnishings for this type of hotel would run to at least \$500 per room.

Another of the premises upon which the civilian committee based the rental value was at first 600 cubic feet of bedroom space per man. This was later changed to 60 square feet per man, and from the time of the change all rental values were estimated on the basis of 60 square feet per man.

The ACTING CHAIRMAN. The 600 cubic feet, taking into consideration 60 feet of floor space plus 10 feet in height, was changed to 60 feet of floor space.

Mr. KEEFER. That's true. It got down as low as 48 square feet. However—

Senator FERGUSON (interposing). You consider your appraisal was a fair appraisal if the Army violated the 60 square foot.

Mr. KEEFER. I would consider we would have to use a different yardstick if the Army violated that.

Senator FERGUSON. The rental then should be based upon the amount occupying the room.

Mr. KEEFER. That is one of the factors.

Senator FERGUSON. It is considered on the wear and tear of the building?

Mr. KEEFER. Certainly.

Another one of the premises upon which the civilian committee based rental values was that no account was permitted to be taken of the cost to the owner of the removal, storage, insurance, taxes, and the returning and setting up furniture and equipment after expiration of Army tenure which was not wanted by the Army.

The civilian committee also based rental values upon leases which would run for the duration plus 6 months. It is common knowledge that the shorter the term of the lease the higher the rental value should be.

Senator FERGUSON. Right there, do you contend that you did consider these values on a period of the duration plus 6 months?

Mr. KEEFER. There were none of them for less. There were none of them for less than a year, annual rental values.

Senator FERGUSON. And not 6 months or 9 months? You hadn't that in mind?

Mr. KEEFER. No, sir; no, sir.

Senator FERGUSON. When you read about removal of property, did you consider that? The paragraph before the one I just spoke about.

Mr. KEEFER. In what connection, sir?

Senator FERGUSON. In the value.

Mr. KEEFER. I have said that one of the premises upon which the civilian committee based rental values was that no account was permitted to be taken of the cost to the owner of removal and storage.

Senator FERGUSON. Then you didn't consider that.

Mr. KEEFER. We were not permitted to consider that.

Senator FERGUSON. Don't you think, as an appraiser, that should have been considered?

Mr. KEEFER. I certainly do.

Senator FERGUSON. When you say you were not permitted, who refused to allow you to do that?

Mr. KEEFER. We were told by Colonel, or Captain at that time, Fitch, that no allowance could be made for that.

Senator FERGUSON. Do I understand, then, that there was a dictated appraisal?

Mr. KEEFER. The premises were dictated.

Senator FERGUSON. Was that explained to the public that you were appraising it on certain conditions?

Mr. KEEFER. I don't know whether the public knew it or not.

Senator FERGUSON. Normally wouldn't a hotelkeeper have in mind that you as an appraiser were using the normal regular yardstick of appraisal?

Mr. KEEFER. He would.

Senator FERGUSON. But you were not using such normal yardstick.

Mr. KEEFER. I was appraising on the premises upon which the Army authorities told me.

Senator FERGUSON. And in this statement you will state what the conditions were under which you were appraising?

Mr. KEEFER. Yes.

Senator FERGUSON. Will you then state when you do that as to whether or not those are outside of the normal appraisal?

Mr. KEEFER. After I have finished with all the premises I would like to say how a normal appraisal should be made.

Senator FERGUSON. So that the committee will have the difference between your appraisal and a normal appraisal.

Mr. KEEFER. Yes.

The ACTING CHAIRMAN. Mr. Keefer, one other question. Did your committee appraise the Arnold Hotel?

Mr. KEEFER. No, sir.

The ACTING CHAIRMAN. It did not?

Mr. KEEFER. No, sir. I mean I didn't have anything to do with it. That was appraised much later, I believe. By whom I don't know.

The ACTING CHAIRMAN. Go ahead.

Mr. KEEFER. It should be stated at this point that the civilian committee which estimated the value and rental value of the properties taken by the Army, only in rare instances, if ever, had access to operating statements of the properties taken, did not know the cubical content and replacement value of the properties taken, and were forced for the most part to rely on their memories for the layout, orientation, and neighborhood influences which would affect the value and rental value of the properties taken.

In scores of instances no inspection was made of the properties on which value estimates were being made. The time element precluded the possibility of making proper appraisals.

At this point I can say how a proper appraisal should be made. In the first place, you obtain the blueprints of the property and analyze and study those. You go to the property to see if it conforms with the blueprints. If it does, then you know the kind of construction there is there and then you can figure what it cost to replace that building. Then you have to examine the building for accrued depreciation. Then you arrive at one indication of value, the replacement cost, what it would cost to replace the property in its present condition. That is just one indication of value, and should be the highest, because nobody is going to pay more for a piece of property than they can replace it for. That is your maximum value.

Then you get the operating statements for the hotel or the property if it is an income piece of property. You analyze those operating statements. You find out what the gross income is and you stabilize the gross income. There is your knowledge of trends and your opinion as to what will be done in the future, so that you stabilize the gross income. Then you analyze the operating expenses of the hotel and then you stabilize those operating expenses, because often

in the expenses of a hotel, you will find, it is ordinary bookkeeping practice among accountants, if you put on a new roof and it costs you \$600 that goes into the expense. The appraiser will say that roof is good for 10 years so he puts \$60 of that into expense. You analyze your operating statement that way, taking out everything that should be capital account instead of expense. You arrive at a net income, and after you arrive at a net income the question comes up at what rate shall I capitalize that net income.

You determine from your experience what is the remaining economic life of the improvements, and you establish a capitalization rate and your capitalization rate is based on what the average investor is paying for a certain amount of income. On hotels there would be one rate, on business property another rate, on apartment houses there will be another rate, and there will be a different rate for the different hotels, different apartment houses, and different businesses, according to the locations and the influences environing the property. After that capitalization you arrive at a second indication of value. You have to add to that capitalization of net income the reversionary value of the land. You discount the value of the land, what the value of the land will be at the time the improvement has run its remaining economic life back to the present, add that to your capitalized net income and you have an indication of value from the economic standpoint.

A third indication of value is to search for every property that you can find which is comparable to that property and find out what that has sold for in the recent past. There are no two properties alike, so you again have to use your judgment, the advantages and disadvantages of one property over another. There you arrive at a third indication of value.

You have then three indications of value, the replacement cost, the economic indication, and comparative, and from those three, if you have done your work right, your real value should fall within the brackets of the lowest and highest of those three. That is the way to make proper appraisal.

Senator FERGUSON. Mr. Keefer, use to which property can be put is another element.

Mr. KEEFER. That is an element.

Senator FERGUSON. Did you consider the fact that there may be no gasoline here in Miami?

Mr. KEEFER. Yes, sir.

Senator FERGUSON. Did you consider that?

Mr. KEEFER. Yes, sir.

Senator FERGUSON. Did you consider the fact that there may be no transportation from the north to Miami Beach?

Mr. KEEFER. I considered that possibility.

Senator FERGUSON. Did you consider that in arriving at your appraisals?

Mr. KEEFER. Yes, sir.

Senator FERGUSON. Normally you would not consider those two items in an appraisal.

Mr. KEEFER. I would consider that in every appraisal, the accessibility of the property that is being appraised.

Senator FERGUSON. Did you consider, then, the fact that you may have no transportation from the north?

Mr. KEEFER. That was taken into consideration.

Senator FERGUSON. And did you consider that you may have no pleasure gas at all?

Mr. KEEFER. Yes, sir.

Senator FERGUSON. And if those two items were an actuality, then there would be no occupancy of the beach, would there?

Mr. KEEFER. That would be true.

Senator FERGUSON. Or practically none, as far as commercial value is concerned.

Mr. KEEFER. I considered the probability of that happening.

Senator FERGUSON. I want to show you this letter that has been offered in evidence. Did you sign that letter?

Mr. KEEFER. That is my signature.

Senator FERGUSON. Did you read it before you signed it?

Mr. KEEFER. I very likely did.

Senator FERGUSON. Is it true?

Mr. KEEFER. I cannot say—well, I will have to read it again to find out. I read it very likely. At the time I signed the letter so far as I know it was true.

Senator FERGUSON. Has there been any alteration or change since you signed that letter?

Mr. KEEFER. I think there has been a great deal of change since then.

Senator FERGUSON. Was it different? This was written April 15, 1942. [Handing document to witness.]

Mr. KEEFER. In other words, at the time I signed that letter, in my opinion, everything was going smoothly.

Senator FERGUSON. Were your appraisals when you signed the letter correct?

Mr. KEEFER. I stated the premises on which my appraisals were made and as far as I know they were correct.

Senator FERGUSON. Then, as I understand it today, your appraisals were correct?

Mr. KEEFER. My opinion of what the rental value and the value of the properties that I had anything to do with was my opinion at that time. It is not, of course, my opinion now.

Senator FERGUSON. Well, wait. We appreciate that, but what I am trying to get at is two times, at different times. At the time you made these appraisals, that was your best judgment and opinion at that time?

Mr. KEEFER. That was the best opinion I was able to form under conditions.

Senator FERGUSON. Was that opinion dictated by Fitch?

Mr. KEEFER. No, the only thing that was dictated by the Army was the premises on which the appraisals were to be made.

Senator FERGUSON. For instance, you signed on May 15, 1943, this:

To whom it may concern: My opinions were based upon a general knowledge of hotels at Miami Beach and long experience in appraising hotels at Miami Beach and upon specific data furnished at the time of the estimate by the owners of the hotels or the owners' agents.

That is true?

Mr. KEEFER. Yes.

Senator FERGUSON. Now, do I understand it, then, that you want to stand by all your appraisals here this morning and say they were as good as you could place them?

Mr. KEEFER. Why, I certainly will not. They weren't as good as I could do it. Under the conditions, they were the best I could do.

Senator FERGUSON. But here, when you give a letter out "To whom it may concern," why didn't you put down that the Army had limited your appraisal?

Mr. KEEFER. I didn't write the letter; it was brought to me to sign, and I signed it.

Senator FERGUSON. Who did dictate it?

Mr. KEEFER. Oh, this one! I thought you were talking about the other letter.

Senator FERGUSON. How did that letter get out?

Mr. KEEFER. I didn't read it all.

Senator FERGUSON. You may read it all.

Mr. KEEFER. This letter states that—

My opinions—

and I am speaking about my opinions at the time the appraisals were made—

were based upon a general knowledge of hotels at Miami Beach and long experience in appraising hotels at Miami Beach, and upon specific data furnished at the time of the estimate by the owners of the hotels or the owners' agents.

Now, it was based upon specific data furnished. It should be understood that the specific data furnished was altogether inadequate for making a proper appraisal.

The ACTING CHAIRMAN. Mr. Keefer, I suggest you read the paragraph next following.

Mr. KEEFER (reading):

I further certify that by necessity an estimate of the market value and rental value of many hotels was required every day, and it would have been a physical impossibility to inspect each hotel and gather the data on each hotel which would be necessary to make a formal appraisal and form an opinion of value.

(The document referred to was marked "Exhibit No. 996" and is included in the appendix on p. 9132.)

Senator FERGUSON. To whom did you give that letter "To whom it may concern"?

Mr. KEEFER. I don't know.

Colonel O'BRIEN. I can clear the record on that. That is the certificate that Mr. Keefer signed as to the individual appraisals that were furnished, where he was a signator.

Senator FERGUSON. Furnished to the Army?

Colonel O'BRIEN. Yes, sir.

Senator FERGUSON. Did you make any of those public to the people who were renting their properties?

Mr. KEEFER. I haven't to this day made any of my appraisals public to any of the interested parties, except the Army.

Senator FERGUSON. Mr. Keefer, you knew the owners of these properties were relying partly upon your appraisal because you were one of the appraisers?

Mr. KEEFER. Yes.

Senator FERGUSON. All right, go ahead.

Mr. KEEFER. For my own part in this estimating job, had I known at the time the work was in progress that the values reached were final and that there would be no redress of inequities, I would have been obliged to refuse to have a part in the work.

In parentheses I would like to say here that I knew, and everyone else who was engaged in the installation of the Army at Miami Beach knew, that it was the first time that anything of that sort had ever been done in the history of the Army in any community. And I knew that it was impossible for three or four men to sit in an office and be told by an Army officer, "I want to have the rental value of the Blank Hotel. The man is upstairs waiting to negotiate. Will you make out an appraisal for it?"

It was understood by the Army, and I told Colonel Fitch many times—in fact, Colonel Fitch asked me one time, "Mr. Keefer, would you be willing to go on the stand and certify that these appraisals that you are making are correct?" I said, "The only thing I can do on the stand is to say that I have been so conservative that I doubt if any of them are getting enough rent." Those are the words I used.

Senator FERGUSON. Why did you play on the conservative side?

Mr. KEEFER. It was a time for conservatism.

Senator FERGUSON. You mean because of the general conditions, everything that was existing at that moment, it was a fair value; now it looks to be very conservative, is that it?

Mr. KEEFER. An appraiser tries to find out from the past what is going to happen in the future, because all the value lies in the future.

Senator FERGUSON. As to your judgment regarding what the future showed, you were giving a fair value?

Mr. KEEFER. My opinion was as of the consensus of the opinion at that time, of what the future was for Miami Beach.

Senator FERGUSON. Go ahead.

Mr. KEEFER. Had I known at the time the work was in progress that while the committee was basing rental value estimates on 60 square feet per man, the occupancy would be as great as eight men per room in scores of cases; that while the committee was basing rental value on bare essentials in the way of furniture and the Army was deducting the value of articles removed, I would have been obliged to change the yardstick or refuse to continue the work.

I discovered that some of these inequities were being practiced by the time the extension of the project was decided upon later in the year, and when asked to take charge of the appraisal job for the taking of another large number of hotels, refused to do so. My principal reason for refusing was because the Army had given little or no consideration to the rental values I had estimated for the first group of hotels taken.

Senator FERGUSON. How did you find that out?

Mr. KEEFER. General talk, of what men told me they got.

Senator FERGUSON. Then you haven't any personal knowledge as to whether or not the Army used your appraisals?

Mr. KEEFER. No, sir.

Senator FERGUSON. Exactly as given?

Mr. KEEFER. I know that they took the stuff we gave them and went out and negotiated, and that is all I know. I don't know whether they

paid the rentals; at the time I was doing the appraising, I didn't know what they paid.

Senator FERGUSON. What would you put down, the value of the property and then the yearly rental? What percentage were you using on the estimated value?

Mr. KEEFER. Here is the form: (Blank) Property, the address, legal description, land size, improvements, rooms or units, type of construction, personal property, furnished and equipped. It gives you that.

The land: the value of the land; 6 percent of the value of the land. The improvements (this is just an example): \$2,000 value in improvements; 6 percent on the value of the improvements, plus depreciation. Furniture: \$500; 6 percent on the value of the furniture, plus depreciation. Mechanical equipment: 6 percent on the value of the mechanical equipment, plus depreciation. In the left-hand column added up you will have value; in the right-hand column added up you will have rental value; on the interest of the value of the property, plus depreciation, was added taxes and insurance. So in one column you have \$3,600, and in the second column you have \$431, or in one column the value and in the second, rental value.

Now, we would be asked to appraise 10 or 15 hotels in one afternoon. It was required by the Army that 3 men sign each one of these appraisals. There were 3 or 4 of us there making the appraisals. This man would work out one, and he would take it to the other two and say, "I worked this out. I have signed it," and the other two would sign it. I would work out one and take it to the other two and say, "Here's my signature," and they'd sign it. In rare instances, because of lack of time solely, all three of us went over all of the figures on each appraisal.

Senator FERGUSON. Now, for instance, here is a property at 1555 Collins. Is that your appraisal?

Mr. KEEFER. This is a copy of it. There were 125 or 200 appraisals. I don't remember the exact ones, but this has my name there, type-written, and very likely I did that.

Senator FERGUSON. Did you tell the Army they should deduct so much from your appraisal?

Mr. KEEFER. No, sir.

Senator FERGUSON. It was to be, as far as you know, to appraise at the exact value that you gave?

Mr. KEEFER. It was my opinion, my understanding, that the Army would pay the rental value.

Senator FERGUSON. That you had stated?

Mr. KEEFER. That is right.

Senator FERGUSON. And if they had, then you would consider that at that particular time that was a fair rental value?

Mr. KEEFER. Under the circumstances it was as near as I could get. I wouldn't know whether it was fair or not, but under the circumstances it was as near as I could judge.

Senator FERGUSON. Go ahead.

Mr. KEEFER. As for the expertness of some of the real-estate brokers who took on the job of estimating values for the Army during the extension of the project (so much has been said about the 46 experts), one broker brought one of his estimates to me to get my opinion of his computations on a certain property. He had the gross income

from the property as his figure for rental value. Now, this broker knew better than that after he thought about the matter. However, so much has been said about the 46 experts who were doing the work that this is worth mentioning.

I am the only member of the American Institute of Real Estate Appraisers in the city of Miami Beach. When I found out that I was going to have this work done, I called up other members of the institute in Miami and asked them if they could come over and help me, and even at that time I had no idea of the great rush it was going to be, how fast the soldiers were going to come in, and both of those appraisers were so busy that they couldn't come over. I was very busy myself, but I went up there for 3 or 4 weeks and didn't ask even for gasoline.

At the time I was engaged in working with the civilian committee in the estimation of values and rental values I was solely concerned and completely occupied with the estimation of rental values under extremely trying and almost impossible conditions. I had nothing, whatsoever to do with the negotiations with any owner, nor did I know what rentals the owners were receiving.

Herewith is a list of 17 hotels on which there were bona-fide leases at the time the Army took them over. In the first column I have set down the amount of annual rental under the commercial usage. In the second column I have set down the amount of annual rent paid by the Army. I will not read the name of the hotel:

Commercial rent:	<i>Army rent</i>	Commercial rent:	<i>Army rent</i>
\$18,000-----	\$12,750	\$19,000-----	\$14,250
\$16,000-----	12,000	\$15,000-----	11,400
\$18,750-----	12,000	\$10,000-----	6,900
\$26,500-----	17,500	\$16,000-----	12,000
\$23,000-----	17,000	\$23,100-----	17,650
\$42,500-----	31,000	\$51,000-----	36,000
\$14,500-----	11,250	\$10,000-----	6,250
\$15,000-----	12,750	\$16,000-----	11,200
\$17,500-----	12,250		

(The document referred to was marked "Exhibit No. 997" and is included in the appendix on p. 9133.)

Senator FERGUSON. You are going to give us this sheet, so you can pass that, then.

Mr. KEEFER. That is respectfully submitted [handing document to Senator Kilgore].

The ACTING CHAIRMAN. Will you also submit the first list you mentioned?

Mr. KEEFER. I have here an exhibit regarding about 18 or 20 hotels, where I have in one column the civilian committee's estimate of the bare essential furniture in the hotel and approximately what it would cost for a full complement of furniture in the hotel.

Senator FERGUSON. When you made this up, you had the data at the time you made them up, or was this later acquired data in either sheet?

Mr. KEEFER. That is what I have composed, yes, sir.

Senator FERGUSON. Did you have all that data at the time?

Mr. KEEFER. Oh, yes. Oh, yes. I have here a statement of the factors which create value, which I want to read. This might have some bearing on my opinion—

The ACTING CHAIRMAN (interposing). Let me ask you one question. Item 1 here—you have commercial rent, \$18,000; the Army rent, \$12,750. Is that item of \$12,750 what the appraisers reached or the contract?

Mr. KEEFER. That was rental paid.

The ACTING CHAIRMAN. Do you have any figures to show what the appraisers' recommendation on the same property was?

Mr. KEEFER. No. I wouldn't have that; no.

The ACTING CHAIRMAN. Would it be possible for you to fill in this list with that item?

Mr. KEEFER. I can get the option with the civilian committee's estimate of what the rent should be.

The ACTING CHAIRMAN. And estimated value on all these items?

Mr. KEEFER. Yes, sir.

The ACTING CHAIRMAN. Could you do that and forward it to the committee?

Mr. KEEFER. I can do that.

The ACTING CHAIRMAN. All right.

Senator FERGUSON. You said you appraised this on the basis of certain equipment going with it. Did anyone tell you what kitchen equipment, for instance, was to go along?

Mr. KEEFER. Generally it was understood that in the largest hotels, which had large messing equipment, that would stay in.

Senator FERGUSON. Entire messing equipment would go with the hotel?

Mr. KEEFER. If they were large enough so that it would be practical.

Senator FERGUSON. You will have to tell us where you drew the line.

Mr. KEEFER. No definite line was drawn.

Senator FERGUSON. Who would tell you one hotel would have kitchen equipment and the other wouldn't?

Mr. KEEFER. No one.

Senator FERGUSON. Did you assume all kitchen equipment went along?

Mr. KEEFER. No, sir. Well, yes; in the large hotels we did, if it was large enough to be practical in my opinion.

Senator FERGUSON. All right, what was your opinion?

Mr. KEEFER. For instance, the Evans Hotel. We considered they had a large enough kitchen so they could use it for messing. At this same time, I was asked my opinion many times, to give them the rental value of different restaurants around the city.

Senator FERGUSON. Let's get back to the kitchen equipment. How could you tell what hotel was to have the kitchen equipment to go with it?

Mr. KEEFER. I couldn't. The Army itself didn't know until they made a survey.

Senator FERGUSON. Then how could you appraise the value of it?

Mr. KEEFER. I have just said—of course, in ninety-nine in a hundred hotels the kitchen would consist of a little coffee room.

Senator FERGUSON. Was it in that case to be taken?

Mr. KEEFER. No, sir; that wasn't. We didn't put any value on that, because we didn't think the Army would use it.

Senator FERGUSON. In the average hotel, you—

Mr. KEEFER (interposing). In the large hotels we put down what we thought the kitchen equipment was.

Senator FERGUSON. One-hundred room?

Mr. KEEFER. Some 100-room hotels have large kitchens and others don't.

Senator FERGUSON. Would you put it on the appraisal that the kitchen equipment would or would not go?

Mr. KEEFER. In our opinion—and we had no one to tell us whether they would keep the kitchen equipment or not—in the large hotels that had large messing facilities we put down the value we considered of the kitchen equipment.

The ACTING CHAIRMAN. You included the kitchen equipment in the rental value, but that was not so marked in the appraisal?

Mr. KEEFER. That's right.

Senator FERGUSON. Did you call kitchen equipment "mechanical equipment"?

Mr. KEEFER. No, sir; mechanical equipment is elevators, fire-extinguishing apparatus, hot-water heating systems, plumbing systems.

Senator FERGUSON. Not kitchen equipment?

Mr. KEEFER. No, sir.

Senator FERGUSON. That would be the "other equipment" on the sheet?

Mr. KEEFER. Furniture and furnishings.

Senator FERGUSON. There is another "equipment" on the bottom.

Mr. KEEFER. I don't think that was filled in.

Senator FERGUSON. You put it under furniture, then?

Mr. KEEFER. Furniture and furnishings; yes.

Senator FERGUSON. Go ahead.

Mr. WARD. Mr. Chairman, would you permit me to suggest one question only? Would you ask Mr. Keefer whether the basis of the assessment or appraisal which he made in this instance was the same basis he used when he was otherwise employed by the Army and Navy in making other appraisals for leases elsewhere in southeast Florida?

The ACTING CHAIRMAN. You heard the question, Mr. Keefer?

Senator FERGUSON. Did you use the same yardstick?

Mr. KEEFER. Yes; my appraisals were made on the basis of the information that I had. In every case where I make an appraisal I make it upon the basis of the information I have, subject to limiting conditions by the person who is requesting the appraisal. And there is no limiting condition, in the normal appraisal, but in these Army appraisals there were limiting conditions.

Senator FERGUSON. If I were the owner of the property out here and you were the appraiser, how could I tell whether or not you were limiting us? That is the thing that I am concerned with now.

Mr. KEEFER. You couldn't, unless you were told.

Senator FERGUSON. What earthly good was your appraisal, as far as I was concerned?

Mr. KEEFER. No good at all. As a matter of fact, the appraisal wasn't any good anyway. No appraiser would undertake to make appraisals under the conditions those had to be made under unless there was dire necessity. And the only reason why I went there and helped out was because I thought I was the best guesser of hotel values in Miami Beach.

Senator FERGUSON. Here is a group of owners, each man owning his property. Wouldn't they have a right to rely upon this appraisal group that they were giving proper appraisals?

Mr. KEEFER. They had a right to; yes.

The ACTING CHAIRMAN. You mean the conditions under which you made the appraisal were conditions of emergency, under which you would not have signed the normal certificate?

Mr. KEEFER. I made it plain to them many, many times.

Senator FERGUSON. Of course, the Army had a right to rely upon your appraisals, too.

Mr. KEEFER. They did, but they didn't. They had a right to, but they didn't rely on them. That is the reason I refused later in July and August; when I was requested to make appraisals again, I refused. I didn't tell the Army why I refused, because, as I say here, they didn't pay any attention to what I said before.

Senator FERGUSON. Read this paragraph:

We are pleased that the work has moved so smoothly. With very few exceptions, the owners of the property optioned or leased have been agreeable to the offered leased price, clearly indicating the fairness of the price being offered by the Government and the desire of the people of this area to co-operate with the Army Air Corps.

Mr. KEEFER. Yes, sir. May I comment on that? You will find here the signatures of 12 men. Some of those men were negotiators; some were something else, I don't know what. And one or two of them were on the civilian committee for setting prices. In this letter, I supposed—I knew all these men, I thought they were fine men, still do—I supposed they were signing as far as they knew about the kind of work they were doing. I was signing on account of the kind of work I was doing, and I knew that as far as I knew at that time, I was making those, that everything was working smoothly, from my part of it.

Here is a list of five hotels which have been sold and leased since Pearl Harbor.

The ACTING CHAIRMAN. Were any of these hotels under Army occupancy?

Mr. KEEFER. Those were all sold and leased since Pearl Harbor.

The ACTING CHAIRMAN. The Jefferson was?

Mr. KEEFER. The Jefferson was; yes.

The ACTING CHAIRMAN. File this with the committee.

Mr. KEEFER. Here is a list of 14 hotels sold since Pearl Harbor, with the actual prices they were leased at for commercial use prior to Pearl Harbor.

The ACTING CHAIRMAN. We will file this with the committee.

(The documents referred to were marked "Exhibits Nos. 998 and 999" and are included in the appendix on pp. 9133 and 9134.)

Senator FERGUSON. Was that all you had, Mr. Keefer?

Mr. KEEFER. Here is a list of homes, lots, hotels, apartment buildings, and office buildings sold during the period 1942-43.

(The document referred to was marked "Exhibit No. 1000" and is included in the appendix on p. 9134.)

Senator FERGUSON. Didn't Pearl Harbor change things?

Mr. KEEFER. As far as Miami Beach is concerned, except for a short period after Pearl Harbor, sales have picked up. You, as at-

torneys, know that in condemnation proceedings you are not allowed to take the smallest price nor the highest prices. In an emergency no judge will take the value of the property at a liquidation price or the value of the property such as it was sold for in 1925 (at boom prices); you have to find out what the value——

Senator FERGUSON (interposing). What is your definition of the cash value of a property?

Mr. KEEFER. Cash value of property?

Senator FERGUSON. Yes.

Mr. KEEFER. My definition of cash value is how much cash it will bring in an open sale.

Senator FERGUSON. Purchaser ready, able, and willing to purchase from a seller ready, willing, and able to sell on the particular day in question?

Mr. KEEFER. That is what we call the market price.

Senator FERGUSON. Yes.

Mr. KEEFER. There is a difference between market price and market value.

Senator FERGUSON. Market price is the value.

Mr. KEEFER. That is what it will bring at a specific time.

Senator FERGUSON. Is that the kind of value you were trying to place?

Mr. KEEFER. No, sir. I was trying to place the market rental value, what it was worth, not what it would sell for.

Senator FERGUSON. Was it worth more than it would sell for at that time?

Mr. KEEFER. Yes, sir.

Senator FERGUSON. And were you giving it a greater value than it would have sold for at that time?

Mr. KEEFER. I don't know what my values were in relation to what it would have sold for at that time. I can only go on what appeared to be conditions at that time, and at that time, as I have said, I was entering the value which I thought it was worth as rental—rental value. I might say that I learned afterward that the Army paid some attention to the values you put on, but paid no attention to the rental values you put on—as far as I could find out.

Now, in appraising property, you have to balance one thing against another. When we were making these appraisals out, we set our values down here, rental value over here. If this rental value looked like it was ridiculous, too low or too high, we would have to say, "Well, maybe I put \$5,000 too much on that improvement," or "\$5,000 too little. I have to balance this thing."

Senator FERGUSON. Did you do that?

Mr. KEEFER. We tried to see that—no, only the value was our opinion—but we also tried to see that the rental we put down there was what we thought we ought to get, too. And I learned afterwards that this value was multiplied by 11 percent right off, no matter what kind of property it was. And it has been said here in testimony that the average was 11 percent.

Senator FERGUSON. Do you think that was fair at that particular time?

Mr. KEEFER. The same percentage can only be employed on properties that are exactly alike in every respect. You can't use a per-

centage on noncomparable property, the same percentage. It is impractical and uneconomic.

I have here a list of 70 hotels sold before Pearl Harbor and leased before Pearl Harbor, and copy of this has been—in fact, this is my office copy—H. Ralph Burton, general counsel, House Military Affairs Committee, has a copy of that. That was dated September 28, 1942.

I have here a list of 66 hotels sold since Pearl Harbor. As I say, there have been over 100 sold, but this is 66 of them, and with this—

Senator FERGUSON (interposing). Do you have the dates of the sales in there?

Mr. KEEFER. I have hotel name, address, date sold, number of rooms, land size, price paid, approximate land value, price of improvements, pre-Pearl Harbor leases, and post-Pearl Harbor leases.

Senator FERGUSON. How many were sold from January 1, 1942, to December 1, 1942?

Mr. KEEFER. During the year 1942, 77 hotels, I believe.

Senator FERGUSON. No; 5 hotels in '42; 73 in '43.

Mr. KEEFER. That's right; 5 in '42; 73 in '43.

This is a copy I can give to you, if you wish.

Senator FERGUSON. Suppose you leave that with the stenographer. (The list of 66 hotels sold since Pearl Harbor was marked "Exhibit No. 1001" and is included in the appendix on p. 9135.)

Mr. KEEFER. That is all I have.

Senator FERGUSON. All right. Thank you very much.

The ACTING CHAIRMAN. Mr. N. J. Morris.

Do you solemnly swear the evidence you give in the matter now in hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MORRIS. I do.

TESTIMONY OF J. N. MORRIS, HOTEL OWNER, MIAMI BEACH, FLA.

ST. MORITZ AND JEFFERSON HOTELS, MIAMI BEACH—ACQUISITION BY ARMY

The ACTING CHAIRMAN. For the benefit of the record, state your name and business.

Mr. MORRIS. My name is J. N. Morris. I am the owner of the St. Moritz Hotel and was the owner of the Jefferson Hotel at the time the Army took possession of it. Both hotels are located in the vicinity of the Royal Palm Hotel and the Bancroft and the Charles Hotel.

(The document referred to was marked "Exhibit No. 1002" and is included in the appendix on p. 9139.)

Mr. MORRIS. I prepared a statement, if you will permit me to read it.

The ACTING CHAIRMAN. All right.

Mr. MORRIS. On February 14 or 15, 1942, I was present at a meeting of the hotel men called by Mr. Bryan Hanks at Harry Sirkin's office in the Albion Hotel Building. At the meeting there were represented various hotels, comprising about 3,500 rooms in the Miami Beach area, out of the 23,000 total rooms in Miami Beach. Lieutenant Talley addressed the meeting and stated that he was making a survey of facilities for housing the Army Air Force men. He stated that they would probably have about 5,000 men and that they would not require the facilities until about April 1. Various matters were discussed, but the

main subject centered around compensation for leases for hotels, based upon the quartering of 2 or 3 men in each room, depending upon the size of the room, the requirements being 60 square feet of space for each man. It was understood that the Army would pay \$10 for each man, each month, for the occupation of such rooms; and that they would probably require not more than 15 or 20 hotels. He further stated that the only branch of the service he anticipated quartering in Miami Beach would be the officer candidate school.

On March 19 I had a call from Mr. Joseloff, my associate in the Jefferson Hotel, and Mr. Joseloff advised me that there was a Lieutenant Holleman and two civilian employees of the Army asking for a lease on the hotel. I requested them to come over to my office in the St. Moritz Hotel, about a half block from the Jefferson. In about 5 minutes they all appeared, and Lieutenant Holleman, together with Mr. Frazure, Mr. Sewell, and Mr. Joseloff discussed with me the lease on the Jefferson Hotel. Lieutenant Holleman stated that the Army must have the Jefferson Hotel within 48 hours; that they intended to establish headquarters there and that he had discussed the price for the lease with my associate and that the top price would be \$18,500. I asked him how they based that figure and he stated that is what they considered to be a fair rental value. I disagreed with them as to the value of the property, but at the insistence of my partner, Mr. Joseloff, as well as Mr. Frazure and Mr. Sewell, I consented to it and signed an option for that price. The actual value of the Jefferson Hotel is between \$225,00 and \$250,000. If based upon the appraisal by the civilian committee subsequently appointed, the rental should have been about \$24,000. Lieutenant Holleman also stated that he had obtained the figures from Mr. Joseloff as to the actual amount we would have to spend for the upkeep of the property, and that it would not total more than \$18,500, and presumably based his opinion as to the value of the rental on that statement. I asked my associate if he computed everything that appeared on the books, and he stated that he did so in a hurried manner.

Right after I signed the option on the Jefferson Hotel, Lieutenant Holleman stated that he wanted to lease the St. Moritz Hotel and was prepared to pay \$36,500 for its rental. Incidentally, the St. Moritz Hotel—you can see it from this building here—is a 14-story building, comprising 135 rooms, and it cost \$525,000.

I told him I would have to get in touch with my partner, located in Baltimore, before I could give him an answer. I told him I would have to get in touch with my partner by long distance phone and advise the lieutenant immediately after I was through talking to my partner. Lieutenant Talley advised me that he must have an answer by 7 p. m., and left his telephone number with me. I told him that in all probability we would accept the proposition, excepting that I wanted until April 15 to evacuate my guests at the St. Moritz. He said that this could be arranged. At 7 p. m. sharp I called Lieutenant Holleman to tell him that I was ready to accept the offer on the St. Moritz Hotel. The lieutenant then told me that he had been in touch with Washington and that temporarily all negotiations were at a standstill, and that he would advise me further what to do.

On March 21 I received a call from Captain Fitch to come down and sign the lease on the Jefferson Hotel. My associate, Mr. Joseloff, and I went down to the Masonic Temple Building on Alton Road, tem-

porary headquarters of Captain Fitch, where I met Lieutenant Holleman, and he submitted to me a tentative lease on the Jefferson Hotel. I examined the lease and found that it varied from the terms of the option, and called Lieutenant Holleman's attention to it. The questions I raised were, first, that the option did not contain a cancellation clause of 30 days which was incorporated in the lease; and, second, that the lease did not specify directly as to the upkeep of the property. He then referred me to Captain Fitch, who in a very abrupt manner told me that the lease was in a form used by the War Department and that was the only form that they would agree on, and that I might as well sign it then because I would probably sign it later anyway. I realized that it was useless to argue with Captain Fitch. His blunt and curt manner was such that I gathered the impression he brooked no interference and although reluctant, I signed the lease in the form presented. We were immediately given notice that we had to give up possession of the hotel by Monday, March 23, at 10 a. m. In compliance with such order, we evacuated the Jefferson Hotel and were ready to deliver the building to the Army by March 23 at 10 a. m. At about 10 minutes before 10 a. m. on March 23 I received a telephone call from Lieutenant Holleman, who told me not to do anything and not to evacuate the guests until I heard from him further. As a matter of fact the hotel was already empty, and it wasn't until 10 days thereafter that the Army took possession of the hotel.

On March 23, 1942, the Miami Herald, in box letters in a front page editorial, directed a vitriolic attack on the Miami Beach hotel men and stated in all manner of threatening language what they termed as interference by hotel men with the Army. The statements contained in the Herald were so far from the facts that I was very much incensed. Realizing that I had cooperated to the fullest extent with the Army representatives, I then dictated a letter to Senator Pepper, and sent copies of this letter to the Miami Herald and also to Frank Malone, a commentator for the Miami Daily News, but they refused to publish the contents of my letter.

Senator FERGUSON. Instead of reading the letter to Senator Pepper, just file it and we will read it.

(The letter referred to was marked "Exhibit No. 1003" and is included in the appendix on p. 9139.)

Mr. MORRIS. My reaction to all this adverse publicity was one of utter futility, and a hopeless feeling that I had to consent to whatever the Army dictated.

A few days later, a civilian committee was appointed to appraise the various hotel properties. I was called to the Cromwell Hotel which was headquarters for Lieutenant Holleman, and the committee, and was presented with a figure of \$49,500 as a rental figure for the St. Moritz Hotel. I requested to be shown the appraisal, but they refused to do this, stating that the appraisal was the property of the Army and not at the disposal of any civilians. In view of the unwarranted attacks in the newspapers and the general atmosphere created by such publicity against hotel men on the beach, we were compelled to give them an option without any question as to the sufficiency of the rental value and the variance of the leases from the options. In other words, as I see it, neither one of these leases of mine were negotiated leases, but were leases forced upon us by innuendo, threats, and a calculatedly ad-

verse publicity engendered by the Army. The leases should be classed as unilateral contracts rather than negotiated contracts.

Possession of the St. Moritz Hotel was requested by April 1. In order to comply with the request of the Army, I called Colonel Proctor and asked for some information as to how to go about storing some of the furniture, linens, fixtures, and utensils not used by the Army. He immediately sent down a major and a captain and two lieutenants, who came into my office and discussed the matter with me. I called their attention to the fact that the numerous items which were not going to be used by the Army would have to be stored some place in the hotel, since it was impossible to get storage space on such short notice. The major assured me it would be perfectly proper and agreeable with the Army to store the various items in storerooms in the hotel, provided I kept the storerooms locked.

About April of 1943, Colonel Fitch called me and in a very demanding tone requested me to clear out all of the furniture, fixtures, utensils, and other items stored in the various storerooms of the hotel, because the Army needed that space. He disregarded the fact that I was given the right to use the storerooms at the hotel, and I was, therefore, compelled to move all of the items mentioned to Withers Storage House, at an expense of approximately \$1,000. At the present time I am paying a monthly rental of about \$75 for the storage of said articles.

In October of 1943 I found it impossible to carry the burden of the Jefferson Hotel any longer, in view of numerous debts I owed, and was compelled to sell that hotel for \$130,000, which represented a loss of approximately \$40,000, since the original cost of the Jefferson was around \$170,000 without the cost of the land. The deal was not closed until November 1, 1943, and 10 days thereafter the Army returned the hotel to its new owners for civilian occupancy. The new owners were offered a profit of \$50,000 over the purchase price paid.

During the period in which the leases were negotiated for the Jefferson and St. Moritz hotels, one of the arguments presented by the Army was that no tourists would be permitted to enter the beach, and that many, if not all, of the streets would be barricaded. As a matter of fact, Park Avenue around Twentieth Street, as well as Collins Avenue around Twentieth Street—where the Dorchester Hotel is located—were barricaded and no civilians permitted to walk there. I submit that coercion by innuendo and adverse publicity were used to procure these leases at low levels. My impression was substantiated by various conversations had with other hotel owners and the general public.

Senator FERGUSON. Mr. Morris, your one hotel was the St. Moritz?

Mr. MORRIS. That is correct.

Senator FERGUSON. And the rental was what?

Mr. MORRIS. \$49,500.

Senator FERGUSON. I show you the appraisal of the property. That is figured at 11 percent of the appraisal; is it not?

Mr. MORRIS. \$450,000. It cost me five hundred twenty-five.

Senator FERGUSON. The question was that figuring at 11 percent of the appraised value, that would be the rental that you obtained.

Mr. MORRIS. Yes.

Senator FERGUSON. I think that should go in the record to make it clear.

Mr. MORRIS. Would you bring out the facts of the Jefferson Hotel value?

Colonel O'BRIEN. We don't have that appraisal.

Senator FERGUSON. We will get that appraisal.

Colonel O'BRIEN. The percentage on the Jefferson, based on the appraisal, is 10.9.

Mr. MORRIS. There was no appraisal of the Jefferson Hotel. When they first started out, they had no appraisals. That was leased before the committee was formed, 5 or 6 days before the committee was formed, but no appraisal was submitted and I don't know if any appraisal is in existence. If they have it, I would like to see it.

Colonel O'BRIEN. We can produce it.

Senator FERGUSON. That's all, Mr. Morris.

The ACTING CHAIRMAN. Mrs. Evans, do you swear that the evidence you give in the mater now in hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mrs. EVANS. I do.

TESTIMONY OF MRS. DOROTHY EVANS

PATRICIAN HOTEL, MIAMI BEACH—ACQUISITION AND MAINTENANCE BY ARMY

Senator FERGUSON. Are you a member of the association?

Mrs. EVANS. Yes, sir. I would like to state that I have been on the beach since 1921 in the real estate and hotel and construction business.

The ACTING CHAIRMAN. What hotel do you operate?

Mrs. EVANS. The Patrician Hotel.

(The document referred to was marked "Exhibit No. 1004" and is included in the appendix on p. 9140.)

The ACTING CHAIRMAN. Where is that located?

Mrs. EVANS. 3621 Collins Avenue.

The ACTING CHAIRMAN. How many rooms?

Mrs. EVANS. 110.

The ACTING CHAIRMAN. 110 rooms?

Mrs. EVANS. Yes, sir.

The ACTING CHAIRMAN. Go ahead and make the statement you want to make.

Mr. HALLEY. First, will you state your negotiations and whatever conversations you had in dealing with the Army?

Mrs. EVANS. I have not written anything.

Mr. HALLEY. Go right ahead in your own way.

Mrs. EVANS. It seems that the testimony you gentlemen had before you all seemed to indicate the hotel owners and operators were duressed in making the contract, and it seems you don't understand how people intelligent enough to own hotels could be coerced or duressed into making those contracts. I think my case is a little different from most of them.

About November 1942, I went to the real-estate project office and told them if I had to operate through the winter I would have to put on an extensive campaign of advertising, get out my guest lists. I was preparing to rent my bar and dining room, solarium, cigar stand, which amounts to about \$6,000, and I said, "Does the Army have any intention of taking over my place?" Mr. Frazure said, "Mrs. Evans,

you are not on our list." So I had struggled all through the summer with the black-outs and submarine menace, so I prepared to advertise for the winter and spent a considerable sum of money. Of course, I am open all the time. I don't close, and I had quite a full house of summer guests. I rented my bar and I paid for the lessee's liquor license which was \$850 which I never got back, and I negotiated my deals, accepted the money, and also made about 10 season leases.

A few days later I was called down to the office and Mr. Frazure said, "Mrs. Evans, we have got to have your hotel. Colonel Fitch called me the other day and said, 'Get the Patrician for me' and I have got to get it." I said, "I have made my arrangements, spent money that didn't belong to me for the winter, and I can't let you have it now." He said, "I know it is unfortunate, but we are going to have to have that hotel," so that was the beginning of what I would call the duress.

I told him I wasn't interested, and——

The ACTING CHAIRMAN (interposing). What was the date of that conversation?

Mrs. EVANS. It was approximately the 1st of November.

The ACTING CHAIRMAN. 1942 or 1941?

Mrs. EVANS. A year ago this last November; 1942.

The ACTING CHAIRMAN. You were not in the first group of hotels that had been taken over? The first rush was over?

Mrs. EVANS. The first rush was over. This was long after that so-called panic and hysteria and patriotism. I had heard from at least 100 hotel owners in Miami Beach how they had been forced to sign, and I said, "I don't understand why you should be forced to sign something you don't want to sign." They said, "You wait until you get to the office and you'll sign exactly as we signed, on the line." I had built up a defense against the whole thing, and I didn't feel like I was going to sign it. I was determined I wasn't going to, so Colonel Fitch didn't say anything to me about price for the first 2 or 3 minutes I was down there, and then he said, "We'll give you \$31,000 for the building." Now, if there is any negotiation in the fact where a man says, "We'll give you \$31,000 for your building, take it or leave it or else," I don't call that negotiation. That is simply their side of the argument. That is exactly what he told me, "You can take it or leave it. I can't do any more for you."

I explained to him that my financial position was pretty bad and this was not only my business but my home. I live there with my two daughters, have a pent house, and I'd have to look for new quarters, throw out the guests that I had had for 5 years. I explained I had been forced to lease my hotel 1 year and I got \$50,000 cash, and \$50,000 cash was offered that same year and I turned it down. I said, "I don't feel I want to lease the hotel." Perhaps that was unpatriotic, but I told him. I said, "As long as the hotel one block away is vacant, and the lessee is sitting there wondering whether he will open or not, I don't want to lease." That lessee told me it would cost \$15,000 to open the hotel. I said, "Why don't you take that hotel?" Fitch said, "That has been reserved for the Intelligence Department." I said, "How about the Tatum? That's well financed and I am not." He said, "Admiral Kauffman made an inspection of these hotels and he made up his mind he wanted it for bathing purposes." I said, "You just got

through accusing me of not being patriotic." Fitch said, "If you can do anything with Kauffman you go to him and ask him to take the Patrician instead of the Tatum." I told him I would, well, before the meeting was over he asked me not to go to Admiral Kauffman. Then he said, "Well, you can go now. You'll hear from me," so I went to the hotel. That afternoon, within 8 hours or so, there was a squad car came up—Army car—filled with five or six Army men. They rushed into the hotel with a yardstick and a lot of superfluous measuring tools, and they measured the lobby and the bar and the front terrace—and they had told me they wanted none of the public space and that all they wanted was the bedrooms. They didn't bother with the bedrooms. They disturbed the guests, asked them to get up from the chairs, felt the chairs, and said, "Yes, we can use that. We need that at the Cadillac, that overstuffed furniture," and the guests said, "What's going on here?" I had a full house at that time. He said, "The Army is taking over at 8 o'clock in the morning." I called Fitch and said, "What do you mean by this?" He said, "They must have gone without my authority."

The following day I was down in Frazure's office and I heard a man outside say, "Have you given them the one-two-three rush up there?" They were speaking of the Ocean Grand Hotel. I went back and told the owner of the hotel he was going to get the one-two-three rush that afternoon, and he got it.

Finally, getting down to the details of the thing, Colonel Fitch told me he was going to take the hotel away from me. He was going to condemn it and take it away if I wouldn't sign it. I said, "I'm afraid you'll have to. I can't afford to be patriotic with something that doesn't belong to me. If I can operate the hotel I can pay it off," but he said, "In 8 hours I am going to have an order to vacate this property and you are going to have to move out."

At the particular time he called I was sick in bed and I said, "That's all right, but I can't get up because I am sick in bed." Nothing happened the next day nor the following day and then he called up and said, "Will you give me the legal on your property? I am calling Washington at 8 o'clock tonight." I said, "I don't think it's necessary for you to threaten me. You have the legal in your file."

The ACTING CHAIRMAN. You mean the legal data?

Mrs. EVANS. Just the description, merely. Another time I was in his office and he said, "I think your case has merit and I want to tell you that I believe I have given you more consideration than I have given to any other hotel owner on Miami Beach, and I feel now that I want you to sign this lease or else." Well, if he gave me more consideration than he gave anyone else (no one else got any) he didn't do anything but threaten me.

Senator FERGUSON. Do you know what the appraisal value of your property was?

Mrs. EVANS. No, sir; he had a file there. In a half-joking way I said, "While you are answering that phone, Colonel Fitch, will you allow me to look into that file?" He said, "No, ma'am; for safety's sake I am going to take the file with me." He didn't say it was a military secret, but he wouldn't let me see the file. He gave me one price of \$31,000.

Senator FERGUSON. Did they condemn your property?

Mrs. EVANS. They did condemn it after a week of threatening. They finally did, and got an order of possession.

Senator FERGUSON. From the court?

Mrs. EVANS. Yes, on December 12 they got an order of possession and an order of condemnation. I was served, by the sheriff and then they didn't take possession until the 17th day of December, and during those 5 days Colonel Fitch went to work again and called me. In fact, he telegraphed me. I had several telegrams before that to the effect that they were going to condemn.

Senator FERGUSON. Did you sign a stipulation?

Mrs. EVANS. I signed the lease or option, or whatever they gave us to sign for this reason: That he told me, he said, "Mrs. Evans, you are in debt and you need money." I said, "That's right. Fitch said you can't afford to wait." He said, "You know it will take sometimes as long as 10 years before you get your money out on condemnation suit. You'll have to have lawyers to fight the Government."

Senator FERGUSON. Did you hire lawyers?

Mrs. EVANS. No, sir; I didn't have the money. He said, "I advise you to sign the lease and your rental will come in regularly and you can manage with your creditors perhaps."

At that time I was frightened and I came down to the city hall and someone recommended Mr. Tom Smith. I told him about it. I said, "I haven't any money. I have obligations to meet and if I have to wait for this length of time and hire lawyers, I can't do it." I think we even went into the price it would cost for lawyers and I couldn't afford it. So I did like everybody else. I signed the option but I certainly didn't do it without a lot of duress first.

Now, to tell you something about the moving——

Senator FERGUSON (interposing). You don't have it back?

Mrs. EVANS. Oh, no; they have it for the redistribution center, and I want to remark here——

Senator FERGUSON (interposing). How near is it to the Cadillac?

Mrs. EVANS. Half a block or a block. When the man came from Atlanta to negotiate with us about the furniture, he made a remark that I won't make to you, but he said, "I know the manner in which you were treated before. I am not here to treat you as you were before," and then he made the remark which I don't want to repeat and couldn't repeat before the committee. There was a number of gentlemen there who probably can tell you what it was. He said, "I am going to try to treat you better," but they didn't make a deal, so I would like to tell you——

Senator FERGUSON. Who was the man from Atlanta?

Mrs. EVANS. I don't know. Mr. Rasco knows.

Mr. RASCO. An Army officer. Major Mays can tell us about the time they were trying to rent the furniture.

Major MAYS. I was there at the meeting; yes, sir.

Senator FERGUSON. Do you know who the Army officer was?

Major MAYS. I don't know what remark she is talking about.

Senator FERGUSON. Who was the Army officer?

Major MAYS. Major Wesley.

Mrs. EVANS. He called a meeting the next morning. He asked us not to repeat the remark.

The ACTING CHAIRMAN. Was the rental fixed by court pursuant to its order?

Mrs. EVANS. No, sir; I didn't have any redress to the court, because Colonel Fitch did finally scare me so badly that I signed. You see, I had payments due on January 8 to my mortgagor and he said:

If you are patriotic and show the courts that you are patriotic, Mrs. Evans, they will have sympathy when your mortgagor attempts to foreclose. You will get the sympathy of the court, but if you go in and allow them to condemn your hotel, the court will have no sympathy when you get in there.

The following day after that he decided to take possession on the 17th. He sent over there at least 100 soldiers, in the morning about 7 o'clock. It was a very cold December day, and I had to move my own family and my guests. I was full. They carried out that furniture; they broke the mirrors; they threw it on the sidewalks before the trucks got there. While they were carrying furniture out the front door, soldiers were carrying out radios, linens, blankets, into the next hotel, and later Captain Austin did return the things but they were broken and ruined. That night at 9:30, after working all day, the sergeant in charge said, "Mrs. Evans, would you mind not taking inventory tonight? I'm dead tired." I was, too. I had gotten out of a sick bed. I had to hunt a place to live that night. I had my furniture there, and the officer stationed a man there with a bayonet, saying, "This will go to this hotel, and that will go to another hotel." I said, "That's my private penthouse furniture. I have a half-furnished apartment I want to furnish." He said I wasn't allowed to have it and I didn't get it until about 6 weeks ago. It is so deplorable. The Army man said there was nothing too bad to say about it. The sergeant said we'd take the inventory in the morning, and I was glad to do that for him.

I got up at 8 o'clock and met him, and they had broken open the linen closet with a fire ax, smashed in the doors, taken every bit of that linen out of there and all of the blankets, and they had a pretty good excuse. They said the boys were cold. They passed it over to the hotel next door. They broke pictures and glasses and things I couldn't move that night, and I didn't get to take that inventory at all. I think it was about 2 months later that they sent me \$222 which they said would pay me for the linens. You can't operate a 110-room hotel with \$222 worth of linen. I had \$5,000 worth of linens. I hadn't gotten a penny to that day on my rent, and they said if I didn't sign that paper and settle on the linen I'd never get my rent. I did owe a lot of things then, including income tax, so for Mr. Leonard Sachs I signed it, took the \$222 and then my rent check came through. It had been held up.

About this overstuffed furniture, there was a change in personnel several months later, and I was sent a letter to come in there and remove the overstuffed furniture because they wanted to have a clean slate when the new man came in and nobody was allowed to have overstuffed furniture. It was considered a luxury. I sent a truck over three times, and three times they broke the appointment. The furniture was scattered all over the beach. Finally, I got the furniture, but it took me 2 months to get it. My check was held up again and Sachs told me if I didn't sign that I had received that furniture and received it in good condition that I could not get my rent.

Well, the furniture didn't mean as much to me as the rent did. I needed the rent. I had obligations to meet. I signed a letter that I had received the furniture in good shape.

Senator FERGUSON. He knew at the time that you did not have it?

Mrs. EVANS. Yes, sir; for 2 months he tried to get it two or three times for me. He couldn't get a release.

Senator FERGUSON. You hadn't seen it when he had you sign?

Mrs. EVANS. No, sir. I wrote to Mr. L. B. Southerland, as follows [reading Exhibit No. 1005]:

JULY 20, 1943.

Re lease No. 228-eng15078 Patrician Hotel. Supplemental agreement No. 1.

MR. L. B. SOUTHERLAND,

Real Estate Project Office, South Atlantic Division, Miami Beach, Fla.

DEAR SIR: This will reply to your letter enclosing supplemental agreement No. 1 in quintuplicate, requesting that the following items be removed and depleted from inventory: 1 divan (red), 1 divan (green), 1 screen (floral), 1 easy chair (upholstered) green, 1 easy chair (upholstered) red, two tables, end.

This furniture was included in the inventory, and left in the hotel upon the demand of the Army and over the protest of the owners. It was selected by several officers to be used in the Cadillac and Croyden Arms Hotels and a guard was placed over it to prevent the owners from removing it along with the other things being removed.

After the Army had used this furniture for nearly 6 months, I was notified that it was considered luxury furniture and was to be removed. I hired a truck for this purpose but was told at the Patrician Hotel that they had no orders of release and knew nothing about the furniture in question.

On or about May 5, 1943, Mr. Leonard Saks notified me that before he could O. K. the voucher for payment of rental he must complete the file on the Patrician and I must sign a receipt for the furniture. I explained to him that I had never been able to see and inspect same and that I had been refused permission to remove same. He assured me that the signing of the receipt was only a formality, that everyone must sign one, that the furnishings were in good shape and could be removed the following day. Up to this time I had not received any rental and needed it badly for income-tax purposes so was persuaded against my better judgment to sign the receipt, believing that I could remove the things in good shape the following day. I tried again and again and was refused permission to do so.

Several weeks ago Captain Austin, officer in charge of the hotel, called me on the phone, stating that he was being transferred to another hotel and before leaving wished to have the luxury articles removed. I explained to him my former futile attempts to remove or even inspect same, so he made a definite appointment to meet me. I again ordered the warehouse opened, hired a truck and men, and went at the appointed time to the hotel. Captain Austin was nowhere to be found and the officer in charge knew nothing about the appointment to take out the articles. He had no order to release and so I had to abandon the removal once again.

Upon receipt of your letter I called upon Mr. Saks and urged him to inspect the articles and arrange a release for their removal. The man accompanied me to the hotel and he found the things in an abominable and deplorable state. He told me he could find nothing too bad to say of their condition. We informed Mr. Saks of this and I requested that inasmuch as I had not received the things as yet and in view of the condition he return to me the receipt of May 5. Again he said it did not mean a thing and he would merely attach a paper reporting the condition of the articles to my receipt already in your file. I explained to him that this would be contradictory for the owner to say they were in good shape and the Government to deny same. He assured me there was no other way to handle the matter and that all cases were so handled.

In order to clarify my position in the matter and to offset the signing of the receipt which was done under duress, I request that you make this letter a part of your file and that in the event the receipt is returned to me I am ready and willing to execute the papers you sent to me.

(The document referred to was marked "Exhibit No. 1005" and appears in full above.)

Mrs. EVANS. One more thing: I didn't get the condition report for a month after they were in there. They could do all the damage that could be done in a hotel in 4 or 5 days. After they were in possession for about a month, they sent me a letter and told me that if I didn't put in 99 toilet bowls in the Patrician Hotel, at a cost of \$1,000, immediately, that they would move and evacuate within a week. I said, "Gentlemen, you can just evacuate. I can't pay for those bowls. I have returned all my money on these concessions and I am absolutely broke. I don't have money to pay for a home for myself," so they told me they would move out but I would get no rent, and they would stay out, the rental to cease during the period they were out, and they would take over when I completed the job of installing the toilet bowls. I said, "I left the bowls O. K." If they had spent more time inspecting the plumbing—they were measuring the lobby—they would have known. That cost me \$1,600 to put those bowls in. I had to borrow the money and had to put them in—105—as 6 more were broken after I received the letter to install 99.

(An excerpt from the Army file on the Patrician Hotel was marked "Exhibit No. 1006" and is included in the appendix on p. 9141.)

Mrs. EVANS. They are still doing similar things in regard to painting, the same methods. As late as 2 weeks ago they were. I sent a painter over there and he said the work the Government wanted done was not necessary. So I told them to take care of it themselves and deduct it from the rent. I couldn't do it. That's all I have to say.

The ACTING CHAIRMAN. How long had they had that hotel they wanted you to put the toilet bowls in?

Mrs. EVANS. They took it over on December 17 and it seems to me that—

Senator FERGUSON (interposing). When did they ask you to put them in?

Mrs. EVANS. "It is recommended by this headquarters that this condition be corrected by the lessor at the lessor's expense."

Senator FERGUSON. What is the date of that?

Mrs. EVANS. December 6. They told me to do it immediately.

Senator FERGUSON. How long after they took possession did they ask you to make this change?

Mrs. EVANS. They took possession on December 17, they asked me on January 6. The reason they did that to me, I don't know. They could do all the damage in the world in 2 weeks' time. You see, I went over there to inspect and it was damaged then all it could ever be damaged.

Mr. HALLEY. Was the arrangement that the War Department maintain the hotels on the inside, Colonel O'Brien?

Colonel O'BRIEN. That is correct.

Mr. HALLEY. Will you explain how that condition arose?

Colonel O'BRIEN. I'll have to ask Major Mays.

Mr. HALLEY. Doesn't the War Department take a hotel as is?

Colonel O'BRIEN. That's right.

Major MAYS. That apparently happened before my time, Senator. I am not familiar with it. You can probably go back to the file and find out.

Senator FERGUSON. Will you do that and file it with the committee, what you claim your files show?

Mrs. EVANS. They did the same with Mr. Fink's hotel.

Colonel O'BRIEN. I can't think of an explanation for that.

Senator FERGUSON. Referring to painting, how do you account for that?

Mrs. EVANS. That is rehabilitation. They want to make it nice for those boys coming in and I had my share of that expense, also.

Major MAYS. This was exterior painting, wasn't it?

Mrs. EVANS. Yes, sir.

Senator FERGUSON. Why would you ask for this lady to paint the building outside?

Major MAYS. There wasn't a great deal of painting.

Senator FERGUSON. But under the circumstances why would you require her to paint it now?

Major MAYS. That is one of the buildings being used by the redistribution station. We were required to dress up the interior of those buildings.

Senator FERGUSON. Who required you to dress them up?

Major MAYS. The War Department, sir. Now there was a certain amount of work that was exterior maintenance, that the Government is not responsible for as shown in the lease, that needed doing in order to prevent water from coming into the inside and hurting work that we had done. Therefore, since exterior maintenance is the responsibility of the lessor we were forced to ask them to do it.

Senator FERGUSON. It is not ordinary paint.

Major MAYS. It is waterproofing, sir. My recollection is it was calking and waterproofing.

Mrs. EVANS. He is right about that. It is calking and waterproofing, but the Army fixed up the inside, painted it inside, and they didn't chop out the plaster—I'm a builder, too—and salt water has seeped through where the boys left the windows open. There must have been 100 broken panes in my hotel when redistribution took over—so the salt water leaked in and made a stain under the windows, sometimes the boys didn't bother closing the windows and these stains are there. They have painted them and it is coming through and they think that if I paint the outside that will prevent that coming through. It won't ever do it and my painter told me that, that it would have to be chopped out, replastered, and repainted. Then they request me to paint the outside, but why should I pay \$2,000 when I know it is a useless expenditure? That is what they are asking me to do, paint, and you can't possibly eliminate what is inside the building. You can't do it, and I work with all these hotels along the ocean. You can't stop that, unless you dig the plaster right out, and I asked my painter to tell them that and he did, but you can't tell the Army. He said, "Mrs. Evans, you can't tell the Army; anyway, just do as cheap a job as you can." I said, "I won't do that. I'll let the Army do it, then they'll see that it won't prevent that leaking through, otherwise they will blame me and make me do it over again." My rental is stopped again so I guess they are going to paint it. When and if they paint it I can expect some rental.

Senator FERGUSON. That is all.

The ACTING CHAIRMAN. Thanks, Mrs. Evans.

Senator FERGUSON. Do you have a prepared statement, Mr. Mead?

Mr. MEAD. Yes.

The ACTING CHAIRMAN. File that as having been read.

Mr. MEAD. This is on second sheets, sir.

The ACTING CHAIRMAN. We are trying to save time. Do you swear the evidence you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MEAD. I do.

TESTIMONY OF D. RICHARD MEAD, CO-OWNER OF SHOREMEDE HOTEL, MIAMI BEACH, FLA.

SHOREMEDE HOTEL, MIAMI BEACH—ACQUISITION BY ARMY

Senator FERGUSON. State your full name.

Mr. MEAD. D. Richard Mead, co-owner of the Shoremede Hotel and the—

Senator FERGUSON (interposing). And this statement you are handing to the stenographer is a true statement under your oath here?

The ACTING CHAIRMAN. Do you have anything additional you want to say to that?

Mr. MEAD. No; I think my statement covers it thoroughly.

My name is D. Richard Mead and I live at 2755 North Bay Road, Miami Beach, Fla. I am president of Mead Construction Co. and Mead Bros., which have operated on Miami Beach for the past 22 years. I am co-owner of the Shoremede Hotel, which is built on a full block of ocean frontage between Thirty-fifth and Thirty-sixth Streets, and the Dayton Apartment Hotel, which is built directly across the street. Before going into my own situation I would like to record that the former Miami Beach Hotel Association and its former president, Mr. Duff, were at one time authorized to represent or speak for the owners of the Shoremede Hotel properties. Now for this so-called coordinating committee, it was nothing more than a working unit for the Army. Its chairman, John Duff, was appointed by Bryan Hanks, the then chairman of the Dade County Defense Council. Mr. Duff appointed the members to this committee and it was not by vote of the majority of the hotel owners. I requested from this civil coordinating committee the appraisal of the Shoremede Hotel and the Dayton Apartment Hotel and was refused with their statement that the Army did not want this information given to the owners.

During the latter part of August 1942, Mr. John Frazure telephoned me to New York, where I was working on a war job for Pan-American Airways, and asked me to return home as the Army wanted to take over our two hotels. I tried to question Mr. Frazure about the rental and told him I did not want to come home unless the rental was going to be fair; that there was no use talking about it unless it was fair. Mr. Frazure would not commit himself over the telephone as to rental and I finally agreed to come back to Miami Beach. Upon arrival here, several days later, Mr. Frazure sent over to our office a civil-service employee by the name of Mr. Joseph Elsener. Mr. Elsener laid before me an option agreement, dated August 8—it then being approximately August 28. This agreement offered to pay us \$46,300 for the Shoremede Hotel and Dayton Apartment Hotel. I then asked Mr. Elsener if he could furnish me a copy of the Army appraisal and he said he would request this from Major Fitch, but that he doubted seriously if he would be able to get this information for us. After

further discussing this matter, I told Mr. Elsener that we would consider it but that we wanted \$65,000 as a fair rental from the Army for our properties and that would give us a net of \$36,000. The next day Mr. Elsener called me on the telephone and asked if I was ready to sign and told him we were not, but that we wanted to talk with Major Fitch about this matter. I then called Major Fitch's office and tried to make an appointment with him, but I was unable to reach him as he was in conference and would not talk to me. About 2 days later Major Fitch called me on the telephone about 8 o'clock at night at the Shoremede and asked me if we were ready to sign the option and I told him no as we thought the price was ridiculous and that we wanted to be fair but that we thought he was trying to take advantage of the situation. I then asked Major Fitch if he would tell me what the Army appraisal was on the Shoremede and the Dayton Apartment Hotels and he told me that this was military information and that he would not give it out. I then offered to appoint an appraiser, have the Army appoint an appraiser, and then the two appraisers appoint another appraiser, and that we would agree in writing to abide by the decision of the three appraisers. He said that the Army would not even consider this and that unless we signed the option agreement that he would start condemnation proceedings and that he would see that we received less than \$46,300. Actually, the \$46,300 is made up of \$37,000 rental for the Shoremede Hotel and \$9,300 for the Dayton Apartment Hotel. I finally told Major Fitch we would consider the matter further and the telephone conversation ended.

After further discussing the matter with my father, and knowing that the streets from the corner of Collins Avenue and Twenty-third Street were blocked off to traffic and the possibility that if the Army took all of the hotels around our hotel, that we could not operate and further considering that I had a brother in the Air Corps in this war, and considering the position of my family in this community, we decided that we could not afford to let Major Fitch condemn the Shoremede Hotel during a time of emergency of our own Government and so decided to sign the option with the Army, believing that since the Congress had passed a bill authorizing the Army to pay not more than 15 percent of the appraised fair value as rent for property taken over during this war; I honestly believed at the time that we signed this agreement, that the United States Government would eventually renegotiate these contracts and put them on a fair and equitable basis. If the Army had paid 15 percent it would have been fair.

It was common knowledge and discussed quite freely that there was a possibility that the Army might take over all of Miami Beach and make it an Army camp and allow no one on Miami Beach except by pass and considering all of these things we thought there was no use in trying to fight our own Government.

Inasmuch as the Government has the right to change or renegotiate an inequitable agreement or contract, then just as a matter of fairness and justness it would seem to me that the other party to the contract should have the same right. If your committee would consider that the Shoremede Hotel is located on a block of ocean frontage with 100 bedrooms and baths, large public space, large dining room, kitchen, porches, terraces, sun parlor, penthouse consisting of 4 bedrooms, 4 baths, living room, kitchen and open terrace that is now being used

for visiting generals, and is a comparatively brand-new hotel, and that we are only receiving \$37,000 rental for this hotel and then consider the Caribbean Hotel, built on a block of ocean frontage, just 2 blocks north of the Shoremede Hotel with 102 rooms and public space that is receiving as rent from the Government \$55,000; then a few blocks north, the Sovereign Hotel of 100 rooms, built on 100-foot frontage, receiving \$45,000 and then make a comparison with the Broadripple Hotel of 100 rooms on the corner of Indian Creek Drive and Forty-fourth Street, almost 500 feet from the ocean, receiving \$35,000, you would readily be convinced of the inequity of the whole situation. I do not want to infer that these hotels are being paid too much because they are not, but I do want to say that there is not any standard yardstick and there is nothing equitable in taking over the hotels on Miami Beach.

The Army took over the Shoremede and moved in September 9, 1942, and we did not receive the lease properly signed until some time during the latter part of January 1943 and we never received any rent from the Government until February 17, 1943, and then only after considerable telephoning and writing letters to the post engineers in Miami Beach, Atlanta, and Washington.

Some time after the Army moved in they furnished us with what is generally known as a condition report of the building, and, gentlemen, I want you to know that if I had not built the Shoremede Hotel myself, had lived in the hotel, that I would have taken it for granted from these reports that this building was in the last stages of deterioration and that probably the building had never been kept up since it was constructed, but please remember that this building was built by our own company, during the summer and fall of 1936; had been repainted almost every year since it was built, and has been kept in the best possible way that we could maintain it.

Senator FERGUSON. You still have your property?

Mr. MEAD. The Army has it, taken very good care of it, and have tried to do a very good job.

Senator FERGUSON. You have been in it recently?

Mr. MEAD. They have never let me go through it, but they offered once that I could go through it, but I have been in on the first floor several times.

Senator FERGUSON. Are you a member of the association?

Mr. MEAD. No, sir; I am not. I am president of Mead Construction Co.; we built the hotel. It is our own property.

The ACTING CHAIRMAN. How many rooms?

Mr. MEAD. 100 rooms in the Shoremede and 33 rooms in the Dayton Apartment Hotel, with parking lot for 50 cars.

Senator FERGUSON. Did they take the parking lot?

Mr. MEAD. Yes, sir.

Senator FERGUSON. Do they use the parking lot?

Mr. MEAD. They built a temporary mess-hall arrangement. They are paying us \$37,000 for the Shoremede and \$9,300 for the Dayton Apartment Hotel. Two blocks north of us they are paying \$55,000 for a 100-room hotel and 2 blocks farther beyond that they are paying \$45,000 for a 100-room hotel.

Senator FERGUSON. Is that explained in your statement?

Mr. MEAD. Yes, sir. There has been no standard yardstick for taking over these hotels.

Senator FERGUSON. Are the military intelligence headquarters in this building?

Mr. MEAD. Yes, sir.

Senator FERGUSON. Would that have something to do with your getting through it?

Mr. MEAD. Undoubtedly that has something to do with it. They have offered that any time I can meet one man, after 5 o'clock, I can go through. They have been very courteous about it and I want to give them all the credit I can. My only complaint is that they used duress to obtain it and threatened to condemn the property.

Senator FERGUSON. That is stated in there?

Mr. MEAD. Yes, sir.

The ACTING CHAIRMAN. Did they make the statement that they would condemn it?

Mr. MEAD. Major Fitch stated over the phone that unless I signed the agreement they would condemn the hotel and he would see that I got less than \$46,000, and in lieu of that they go right straight north of me and pay \$55,000 for the Caribbean Hotel.

The ACTING CHAIRMAN. Both of them have the same facilities?

Mr. MEAD. Yes, sir.

Senator FERGUSON. About the same floor space?

Mr. MEAD. 102 rooms in the Caribbean and 100 in the Shoremede, with a full block of ocean frontage. There is just the difference of \$19,000, both with the same ocean frontage.

(The document referred to was marked "Exhibit No. 1007" and is included in the appendix on p. 9142.)

The ACTING CHAIRMAN. Thank you, Mr. Mead.

Mr. WARD. Mr. Chairman, in order to save time, may we, on behalf of the association, ask permission to file the affidavits on the appraisal of a number of hotels by comparison? There were some 28 witnesses we wanted to present, but I appreciate you haven't the time. If they could be submitted, we would appreciate it.

The ACTING CHAIRMAN. They are sworn to?

Mr. WARD. All sworn before notaries.

The ACTING CHAIRMAN. Do you have them, Mr. Halley?

Mr. HALLEY. Yes.

The ACTING CHAIRMAN. All right, you may put them in the record.

(The affidavits referred to were marked "Exhibits Nos. 1008 to 1083" and are included in the appendix on pp. 9144-9284.)

The ACTING CHAIRMAN. Mr. Godson, do you solemnly swear the evidence you give in the matter now in hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. Godson. I do.

TESTIMONY OF R. W. GODSON, OCEANIC VILLAS, MIAMI BEACH, FLA.

The ACTING CHAIRMAN. Please state your full name.

Mr. GODSON. R. W. Godson, Oceanic Villas, 6780 Collins Avenue, and the Surf Edge Apartment Hotel, 8995 Collins Avenue.

The ACTING CHAIRMAN. Just go ahead, Mr. Godson.

SURF EDGE APARTMENTS AND OCEANIC VILLAS, MIAMI BEACH—ACQUISITION
BY ARMY

Mr. GODSON. First of all, in regard to the Surf Edge Apartments, in July of 1942, I received a call from the Navy Department to come down and discuss the question of having the hotel. I went down to the Du Pont Building and Lieutenant Price said:

Now, Mr. Godson, we are interested in renting your building if we can make an amicable settlement on it and a satisfactory price, and if it still comes within our budget we want to do that.

He said:

We are interested in taking your building, the Surf Club, and the one building north of the Surf Club as an officers' rest home. They won't be wounded officers, but officers that are returned for rest, and the club facilities will be used as a club and the other buildings to house them. We want you to give us your best price on housing the men in the same manner as you would house civilians, one to every bed, using the rooms for their maximum and ranging from 100 to 125 men.

I went back and did some figuring and went down to see Lieutenant Price again, and I told him that my figure on it (I took it with me) worked out to about \$46,000 a year, to run the building as a hotel just as we were providing the guests, and we would provide the management and the laundry and everything else. Lieutenant Price said that that seemed to him to be fairly close to what they had in mind, but he would like to go over the figures, so we went over them there. Another suggestion that he had was that he thought we could, by eliminating an assistant manager—I had to put that in because I didn't know whether they wanted 24 hours a day service—get the price down. So finally we cut it down to \$43,000. In my estimate of \$43,000—they didn't need telephones and all—I figured it would provide \$25,000 on the basis of the building alone—taxes and insurance, but no services. The rest of the fee they were paying was to be for service. He asked me if I would be willing to sign up at that, and I said I was perfectly willing and agreeable.

Two or three days later I got a call from the Cromwell Hotel to come down there. I didn't know what to do, so I went down. In fact, I was out at the time the call came, I should say, and I didn't get it until I got home at 6:30, but they said I must be there by 8 o'clock that night. I went down at 8 o'clock that night and saw people—I know there was a Mr. Tarilton and Mr. Frazure—well, I won't say for sure Mr. Frazure was there. He said, "Mr. Godson we are going to make a proposition to you on your hotel." I said, "I am already dealing on it." He said, "whom are you dealing with?" I said, "I am dealing with the Navy. They told me they wanted the property and I am waiting for the final word." He said, "Oh, no, no, no; they can't have anything up there because we are going in there and we are not going to let the Navy have it." I said, "I don't know what it is all about, but that's the agreement." He said, "We don't care anything about that. Are you willing to rent it to the Government?" I said, "I am willing to rent it to anyone, the Army or Navy or anyone else, on the same basis." He said, "We don't want hotel service. Will you rent it to the Army anyway?" I said, "What do you mean, will I rent? I'll rent it at a price." He said, "No; we can't go into the full question. You tell us how much you want. We won't tell you what you'll

get." I said, "All right. I'll let you have it at \$25,000 for the first year."

Senator FERGUSON. How many rooms?

Mr. GODSON. Fifty-four rooms, right on the ocean; an ocean-front hotel. He said, "Well, I won't say anything about what we'll pay, but you sign this agreement that you will let us have it at that price." I said, "What am I going to do about the Navy?" He said, "We'll look after the Navy. You sign this. It has to be signed by tonight. Everybody must sign up and if you don't sign up we are going to go in and take the whole Surfside." I thought, "Well, what the heck. I have to do something about this," so I signed the option at \$25,000.

Senator FERGUSON. You were in Surfside?

Mr. GODSON. Yes; the one building was; yes. So I did that and the next morning Lieutenant Price telephoned me and said, "Well, Mr. Godson, there are one or two things I want to discuss." I said, "What's going on here? I have already signed again last night. I signed with the Army. They told me they were taking over the whole of Surfside." He said, "By golly, they are not. Come down here right away." So down I go, and there was a great hubbub there. I was in the office for about 3 hours and there were officers in and out and they were telephoning and everything, and he said, "Mr. Godson, you sit tight. We are putting an estoppel on that. The Army can't get in there. If they touch that we won't go into the place at all and the Army said if they take one building on the beach, we won't take anything else, especially in Surfside," so we were right in the middle. In the meantime neither one did anything.

That was in July and there were delegations that went to Washington; the Surfside Council jumped into the picture and implied that I was a scab for not being with the Army when that was going to cut the rest of them out, and in any case the whole thing fell down flat, and so it went on until November.

In November they notified me to negotiate about the Oceanic Villas. In the meantime the publicity came out early in November about the area; that the entire area, every building in it over six apartments, from Sixty-third Street north, would be taken over by the Army. I went down to see about the Oceanic Villas, which are in that area of Miami Beach, and they told me first to make an appointment to see Mr. Frazure. So I made an appointment to see Mr. Frazure at 9 o'clock in the morning. I went to the office and I expected to see Mr. Frazure at 9 o'clock, as I was informed that was the appointment time, but I found that they had a processing system; that first you had to be conditioned before you got in to see Mr. Frazure. They took you to one desk and told you about how lucky you were you weren't in the Army and you weren't dying, and so forth, and at the next desk they talked about people who had factories and couldn't get materials and had to go out of business for which they got nothing. So I figured the rent I was asking on this was going to be cut down quite a little bit. I had only asked what I considered was fair.

I got in to Mr. Frazure finally about 1 o'clock. Mr. Frazure said, "We want to take your property. We want to take it and we are going to pay you \$21,000 a year." I said, "Well, how in heaven's name do you figure that when it costs me over \$35,000 to make my payments?" He said, "We don't give a darn what it costs you. That's

what the Army is going to pay you to have the building." I said, "You're not going to get it." He said, "Oh, yes; we will. We will condemn it." I said, "All right; if you condemn it, I'll get more money than that." He said, "We'll see that you don't. We have the whole power of the Government on our side, the engineers are on our side, and on top of that it will take you at least 2 or 3 years, if not longer," and he cited me some cases where people in the last war are still looking for adjustments 25 years later, and so forth.

Finally I said, "I don't care. I won't sign it." He said, "If you don't sign, that's the end of it. We have finished negotiations." I said, "O. K.," so I went down the next morning to my bank manager, who was also a mortgagee on the place, and he said, "Go to the city hall and see what they can do there. They have a committee that takes care of that." So I went to the city hall, to the committee, and stated my case before the committee, and they said, in the face of what I had told them about the value of the property—I had an appraisal there made by Mr. Keefer for the mortgagee just a few months previously which showed the value of the land, buildings, and furnishing to be approximately \$365,000. I said, "On the face of that, and at 11 percent, they would have to pay me nearly \$40,000, and on the face of the number of men they can put in it—355 was my estimate at 60 square feet to the man—they should pay approximately \$39,000, and on any other basis it has to come up to \$35,000, and they want to pay me \$21,000," so the committee said to Tom Smith, a city official, "Will you go with Mr. Godson to the Army and see what you can do?" He said he would do that.

Mr. Smith then made an appointment for me to meet Colonel Fitch. Colonel Fitch was very courteous about it. We had 5 minutes or so there and he said, "I'll make an appointment to see your property tomorrow," which was Sunday. He came to the property on Sunday. By the way, I should say that Mr. Frazure had told me 290 men were all they figured the place would hold. I said, "I know it will hold over 380." But that isn't the point.

So Colonel Fitch and I went over it, and he did a lot of figuring and I did a lot of figuring. Some of the rooms we agreed on and some we did not. I had the plans to work on, and even in his own figures he had to admit there were 333 men that could be put in the building at 60 feet, but in all cases the 60 feet, if a room was 10 by 16, such as a dinette, for instance, obviously the Army could and would put in 2 men in that room, but because it only said 60 feet, and there wasn't 120 feet, then the extra 40 feet was thrown out of the picture. But even at that that came to \$36,000 at \$10 a month a man. "No," he says, "you have that wrong." I said, "Everybody talks of \$10. I understand that." He said, "Ten dollars a room a man; that covers all administrative costs, all operations, all upkeep, even the Army officer's salary, and everything else." I said, "What?" He said, "That doesn't make any difference." I said, "How about the valuations that have been made by three supposed to be evaluators for the Army?" That was not the original valuation committee, but they appointed others later. I said, "Where do they come from?" He said, "We are not allowed to disclose their information." I said, "They would have to allow more than \$21,000, even if they sat at a desk and handled the number of rooms and never saw the building. That's just a lot

of eyewash." He said, "It is not intended to be followed. We are not following it. There has to be a concession to public opinion, and that's what those civilian valuations are made for. We are bound by what we know we can pay." I said, "You are not going to get the option without a fight." So he sat down with me for nearly 3 hours, and he said, "Well, I'll tell you what I will do. I am going to come up to \$25,000 on this property; that's a \$4,000 increase." I said, "If you can come up to \$25,000, there must be something obviously wrong with the \$21,000 offer, and maybe you are still wrong and you can still do some more figuring." He said, "I have no more time to waste on this. That's the end." I said, "Before I settle on this, I still haven't your offer on the Surf Edge, and I understand you are taking all that."

The ACTING CHAIRMAN. You had offered to lease the Surf Edge for \$25,000?

Mr. GODSON. That's right. On this one, my figure was \$35,000. He said, "Well, I haven't heard on that." He said, "I have your file here, and according to this, we shouldn't pay you more than thirteen or fourteen thousand dollars, but if you will settle on the whole thing now, I am going to \$17,000," so that was a total increase of \$7,000 on the two properties.

So I said, "Well, I still think we are not getting enough, particularly on the Oceanic Villas nor on the other, because in neither case are you giving me enough to pay out-of-pocket expenses. I have all I own in these properties. I depend on the income, and I own other properties that are not revenue-producing but which I am carrying out of the income from these properties. I will lose those if I agree to this."

He said the mortgagees would have to make an adjustment. I said, "I can't compel them."

He said, "No; but they have the moral power of the Government against them. They daren't try to do anything to you fellows if you are cooperating, but if you are not cooperating it will likely be too bad for you. If we have to condemn, you may not get your money for years—2, 3, 4, 5 years, who can tell? We can't tell. But in any case, while that is going on you don't get it."

I said, "Don't you have to pay it to the court?"

He said:

Yes; but it stays there. In the meantime, your mortgagors are going to have the right to foreclose on you because you are not paying them and you will have no moral help on your side because you don't cooperate, and here you are fighting the Government and not cooperating and you are not paying these people; therefore on the face of that, the rent is as I stated. You know we have already closed some places. You are the last hold-out. Do you want to be the only one who won't cooperate? We very likely will have to close Collins Avenue off in the next few days, and where will you be? People won't stay with you because of the noise of the troops, and they can't get to your place in the first place; and on top of that, due to the fact that you are a hold-out and haven't cooperated, there might be a little more noise than usual around. We can't say.

Well, in the face of those things I thought it might be a very good idea to accept the proposition, as I got at least something more for having the thing checked over. They took it, and it was 6 months before I got the first dollar on the Surf Edge, and I think four months and a half on the other one. In the meantime, these condition reports that you have heard about came along. I objected to signing them.

I wrote letters about it. Here is one to Mr. Leonard Sachs, on January 20:

In connection with the inventory of the Surf Edge, especially the condition of furniture report, I have the same remarks to make as I had about the Oceanic Villas, namely, that the report does not differentiate between the various degrees of marring or burns. Also, the report was not made immediately on taking over; thus some damage occurred before the inventory. The main point, however, is that the building was only completed in March 1942, and some of the beds and furniture had never been used, and the balance only slightly used. As long as we get it back in that condition, ordinary wear and tear excepted, we will have no kick coming.

I was in the building today and noticed some of the linoleum and kitchen cabinets have been sadly marred and cut up. The boys seemingly use the kitchens for laundry purposes, which is perfectly O. K. However, they then use heavy scrubbing brushes and a very strong soap on the drainboards and the result is that the linoleum is rapidly becoming useless.

I also noticed that the box springs above the edge are becoming very soiled, apparently by the boys' putting their heels on the wooden bed-sides while sitting on the beds. This, of course, can never occur in civilian life because the beds are made up. It will not be possible to clean these, and, if continued, the entire springs will need recovering. Such damage, of course, is not ordinary wear and tear.

I might say that in connection with the signing of the condition report I was also told that I would get no money until I signed, that I couldn't do anything but sign it, and that the quicker I signed the better it would be. However, I insisted that if I did sign it, that they type in on it the following:

The foregoing is signed with the following exception: The building was taken over November 26, 1942, and was immediately occupied by hundreds of soldiers.

This is dated March 24, 1943.

Senator FERGUSON. Was that included in your signing?

Mr. GODSON. Yes, sir; right on the actual lease.

The condition described in the statement of conditions may have existed on the various dates of inspections extending from December 9 to March 16, 1943. They certainly did not exist on November 26, 1942, on which date the entire property was in good operating condition for civilian occupation commensurate with the rates charged by us. It should be noted that this building was brand new, having been completed in March 1942.

Now, they finally permitted me to have that included in my condition report, but a lot of time was lost; I would not sign unless they put it in, and they said it couldn't go in. I said, "It is going to or I don't sign it," and finally it went.

The ACTING CHAIRMAN. May I have the condition report?

Mr. GODSON. Yes.

On the Oceanic Villas condition report, I think the wording was put in practically the same way because it was the same time. Yes; it was.

Now, at the time I received this report—they both came within a day or so—I wrote a letter to Lt. Joel A. Clark on March 17, 1943, re Oceanic Villas:

I have received the volume, Statement of Condition on the Oceanic Villas, and have endeavored to check same after I got over my surprise to find the building was still standing and had not collapsed. Upon the first reading of the many things that were wrong with the property, I wasn't sure whether you had inadvertently described some shack in "nigger town" but I decided the phraseology was protective for the Government's interests only. Naturally, any building, once it has been used a few days, even, could be described with the all-embracing

phrases, "Wood floor, plaster and wood marred and soiled," or "Hardware rusty," or "Toilet seats stained," or "Mirrors cloudy," etc.

I inspected a part of the building today with your Inspector Weymeyer, and the same phrases as above would still apply, but with what a difference! There is not a good floor that could possibly be used again for civilian use without complete sanding, scraping, and refinishing, and some of the floors could not be made usable if you sanded half way through the wood, yet they are still marred and soiled.

Now, I may be unduly apprehensive. When I am asked to sign that statement of conditions as submitted as a true report, and it is accepted as such, I most emphatically object. This building was in fit condition to command and did command and receive rentals of from one thousand to two thousand dollars per year per apartment, as of the date of possession. No one made or attempted to make a survey at that time, in spite of my requests. By your own statements, the inspections were made on dates varying from December 9, 1942, to as late as February 19, 1943. Maybe the building did show all the wear you list on that date, but not as of November 28, 1942. For instance, my own apartment, (K), was in next to perfect conditions as to floors, etc. They were so highly polished you could see your face in them, but were only used by two adults. When I was next in the apartment a few days later, about 14 men were quartered in the apartment. No wonder the wood floors were marred and soiled, but if the marring and soiling are no worse after the Army returns the building than they were when they took it over, we have no kick.

I will skip a paragraph.

Referring again to today's inspection, in apartment D living room is a chest from the bedroom which had a cigarette burn or two on its edge when you took over. Today it has about 50 burns and is utterly valueless for rental purposes.

Then I said:

I would like to draw your attention to murals painted on the walls of most of the living rooms. These should be carefully protected.

There was also other things in connection with them, but it would be too long to go into detail on, but I will try to hit the highlights. One was that we were to take care of the exterior of the building. At the very beginning, when they started to take the building over, I went to the officer in charge and I said:

Look; you'll have to tell the boys not to use those exterior wooden steps the way they are doing. They are using them as a grandstand. Thirty or 40 men are sitting on them and tearing up and down and horseplaying. They are not built for that. They are built for a janitor to take the garbage out. Those boys are pulling them apart.

He ordered them off right away and, of course, 12 minutes later they were all back on the steps.

In February I got an order from the Army to go and replace all these wooden verandas, or else there would be no rental. I went down; I protested. I wrote letters of protest. They said:

No rent unless they are fixed. You have agreed to fix the exterior. We say the wood has rotted.

I said:

All right, it might be rotted to a certain extent, but it would still be there 5 years from now if you treated them properly.

So we fixed them at an expense of \$225.

Several other things came up later, but by that time I had decided I wasn't going to do any more giving in, and I refused to do any more repairing, and nobody ever insisted.

The question of the Surf Edge, then, the question of getting it back: In July—on the 3d, I believe, of July—we got notice they were

going to give back the Surf Edge Apartments. The inspection for the damages was made, I believe, sometime around the 19th or 20th of July. I may be wrong, but I think that was it, July. I wouldn't say for sure, but about the 20th. There, again, the same tactics were used:

You have to agree to this, or you won't get anything for a good, long while, and in the meantime your rent is stopped, and until the matter is settled, you can't have possession of your building.

This was told me by Mr. Frazure and Mr. Tarilton, that there would have to be a complete signing off before you got your building back, and likewise, the Army notified me the rent was stopping as of the 31st of July.

My estimate—and I am a builder and contractor, so I ought to know, and I built the buildings, and I have my finger on costs—my estimate, in round figures, was approximately \$9,100, or \$9,200. That is just to put the building back into condition it should be in with normal wear and tear for the only 8 months they had it. Mr. Tarilton gave me an offer of \$5,400, which was to include all rental. He said that was a month's rental in it. I refused to take that, and the matter dragged along for days, until finally on the 11th of August they called me down again and told me they had decided I was partly right, not entirely, but they would go another \$1,000. So I said:

How about the month's rent? In the first place, you can't put that building in condition under 10 weeks to 3 months. I know the labor conditions; I know how hard it's going to be.

He said:

Oh, no; 30 days is all that is allowed.

I said:

Is that 30 days from today?

Oh, no—

he said—

you have used up part of your time by holding out. You will still get the 1 month's rent, and you have lost 12 days of it now.

I said, "Is that the final offer?" He said, "That's it. If you want any more, you have to go to the Court of Claims, and that will take a long time." It was presumed to be a great deal of time.

Well, we were getting on, the time was coming on for the season again. I knew it was going to take 3 months to do the work, so I decided to accept it. I did that, and the cost to date has been \$7,536.70 that we have paid out, plus about \$2,500 estimated damages which cannot be repaired; for instance, five bathtubs with large pieces out of the bottom or side; a basin, and so on; a lot of tile work that the surface is gone off. You would have to replace the entire tile floors, because there are so many tiles where the surface has gone. Bathtubs can't be secured now, so they can't be fixed, but the damage is still there. On the other hand, we were paid the sum of \$6,400—I think it was \$6,812, including the month's rent, and we did not have it absolutely finished until December, but it was habitable on the 1st day of November. It took from the 12th day of August until the 1st day of November to get the interior done and enough done so people wouldn't be incommoded by the balance of the work which was done on the outside.

The Oceanic Villas, to my knowledge, stood vacant from sometime in October. They were shut up solid. We tried to find out if we would get them back, and so on; nothing happened. And then, finally, Senator Pepper, I believe, was advised, it came out in the paper, that they were not going to be given back till spring. In the meantime, on the night of January 1, we get a wire that it's coming back on the 31st of January. To this date I have not been able to get inspection made. I couldn't go in to see it. I went to Spooner's office, and he said, "No one can go in there without our official inspector with him." I said, "It would save a lot of time if I could go ahead and get it done," and he said, "No; you can't go in." So the position is, they still have the building. For the month of February alone, at our likely to be O. P. A. rates (we don't know what they will be), there should be revenue of at least \$20,000. The month of March should be at least \$15,000. February and March will be entirely lost. We will only be paid to the end of January, which means we will have had 14 months' revenue and lost 2 complete years of income, and that revenue is far less than the actual cost of carrying the property.

The ACTING CHAIRMAN. I notice in this statement of condition they merely had you sign a certificate, "I hereby certify the attached is a true report and is accepted by me as such."

Mr. GODSON. They did let it go underneath my signature, which I thought had the same effect.

The ACTING CHAIRMAN. That, of course, does not certify that you have inspected it. Do you have two different kinds of certificates?

Colonel O'BRIEN. They changed the certificate, Senator.

Mr. GODSON. The other one is the same wording as that.

By the way, on the question of change between the original option, the same thing applied there. The original option stated that the property would be ordinary wear and tear, and then when the lease came along, it was ordinary wear and tear as a barracks, and I objected to that, but they said, "The Government will be fair. They don't intend to stick with that." But all the way through, from the very beginning of the Army's negotiations to this minute, the onus has always been on you to try and justify anything, and also you have been at a disadvantage. All the negotiations I had with the Navy were 100 percent on the basis of two business people doing business: "Now, Mr. Godson, let's see if you think this is enough, and if it isn't, we will go over the thing together."

In 1 or 2 hours, the whole thing was settled perfectly friendly, and had the Army not jumped in and upset the apple cart for the Navy, I would have had at least from the Navy a figure which would have netted me the same as \$25,000 on the Army—

The ACTING CHAIRMAN (interposing). All right. Anything further? All right, Mr. Godson, thank you for coming in.

The committee will adjourn now, to reconvene later at the call of the chairman in Washington. If anybody here has further statements to file, if they will prepare them and forward them to the committee in Washington, properly sworn to, we will insert them in the record. But do it very rapidly, because we want to get the hearings closed.

Mr. JOHN B. REED. I just came back from Washington, after interviewing 25 of you Senators, and I came here to represent several hotel

owners, thinking I had some facts you might like to have. I can state it briefly, if you will give me permission.

The ACTING CHAIRMAN. We have to get back to Washington tonight, and last Friday we agreed that we would hear five witnesses, to be selected by the hotel owners.

Mr. REED. I don't belong to the hotel owners. I am an independent.

The ACTING CHAIRMAN. We heard some who were independent and some who belong to the association, and we simply can't hear anything more. You can file the statement or, if you are in Washington, we will take it up in a hearing as soon as we get back.

Mr. REED. I won't deal in details, but as to the general situation in the taking over of the hotels. I feel these facts are worth while, and I have submitted them before to every Member of Congress and the Senate.

The ACTING CHAIRMAN. If you file that statement, we will put it in the record.

(Whereupon, at 2:25 p. m., the committee adjourned, subject to the call of the chairman.)

APPENDIX

EXHIBIT No. 904

[Draft]

SEPTEMBER 14, 1943.

DEAR SENATOR TRUMAN: In July your Committee published a report on the Comparative Merits of Rayon and Cotton Tire Cord. In conformity with the suggestions made in that report and in later conversations between the Committee and members of my staff, I assigned Mr. H. LeRoy Whitney, my Technical Consultant, and Mr. James A. Jacobson, by Special Assistant on Industrial Analysis, to make a thorough study and appraisal of this whole question and to present their findings and conclusions to me at the earliest practicable moment, for subsequent submission to you. I particularly emphasized to them my conviction that your Committee was just as interested as the War Production Board in obtaining a complete, impartial, and wholly up-to-date report on all phases of this question, irrespective of whether it justified a use of rayon or cotton greater or lesser than presently contemplated.

Messrs. Whitney and Jacobson have spared no effort to this end. They have gathered together not merely evidence already available in existing reports and studies but also such other factual material as they could develop through further independent research and compilations of laboratory and field test data. The new material has had a significant bearing on their conclusions.

On the basis of the findings of Messrs. Whitney and Jacobson, I believe that one broad conclusion is inescapable—namely, that our problem from now on is not one of deciding whether to use rayon *or* cotton but rather of being able to provide a sufficient quantity of both rayon *and* cotton.

We must have sufficient rayon for aircraft tires and fuel cells, for combat tires for Army vehicles, and for heavy-duty tires for the military and for intercity bus and truck fleets. We must have sufficient cotton for all passenger-car tires as well as for jeeps, farm equipment, and various other essential purposes.

Our 1944 program threatens to be seriously retarded by inadequate supplies of both kinds of fiber, and I believe that only by the most vigorous efforts will we be able to supply the enormous quantities necessary for the successful prosecution of the war.

The report prepared by Messrs. Whitney and Jacobson is attached herewith. It has my approval. It will, I hope, provide the members of your Committee with the full factual information which they have been seeking on this difficult problem.

Sincerely,

DONALD M. NELSON.

EXHIBIT No. 905

AUGUST, 31, 1942.

FRANK WALTON,

Textile Division, War Production Board,

Railroad Retirement Building, Washington, D. C.:

With the Army expressing no preference for rayon tires except to a limited degree and for which there is now rayon capacity we suggest that you consider necessity for increased rayon production in the light of very favorable results on low-gage cotton cord which will equal and even better rubber saving possible by use of rayon cord and which has proven its performance under Army tests in Texas. Release of strategic materials for increased rayon production as well as material for equipment for treating rayon in the tire plants not warranted until tests now running and those ready for test by the major companies in the industry are completed. We are convinced that from results of tests already made by the Army that the work that we have done with low-gage cotton cord and

that which is now in progress by the major companies who have previewed our results to date and who are now also participating in a large-scale program of tests by the Army that within the next few months low-gage cotton cord will have proven its facility and provide both rubber saving either of crude or synthetic and performance of both obviating the necessity for rayon production increase.
[Signed]¹ -----

EXHIBIT No. 906

WAR PRODUCTION BOARD,
Washington, D. C., October 6, 1943.

Mr. RUDOLPH HALLEY,
Truman Committee, 317 Senate Office Building,
Washington, D. C.

DEAR MR. HALLEY: Enclosed herewith is our amended copy of the September 13 report to Mr. Nelson, entitled "The Tire Cord Situation, A Qualitative and Quantitative Analysis."

As Mr. Jacobson stated in his letter to you dated September 29, 1943, the report and supplement were submitted to the War and Navy Departments for clearance on information of a secret nature which was included therein. The deletions and revisions which they requested have been made; in this connection, you will note that Exhibits G, H, I, K-1, K-2, L, and M have been omitted, and that Exhibits K and N have been amended in accordance with their instructions.

Sincerely,

H. LEROY WHITNEY,
Technical Consultant to the Chairman.

REPORT TO MR. DONALD M. NELSON, CHAIRMAN OF THE WAR
PRODUCTION BOARD ON THE TIRE CORD SITUATION, A QUALITATIVE
AND QUANTITATIVE ANALYSIS

By H. LeRoy Whitney, Technical Consultant to the Chairman, and James A. Jacobson, Special Assistant to the Chairman, September 13, 1943

HIGH TENACITY RAYON CORD

I. TECHNICAL OPERATING, AND TEST DATA

A. GENERAL

Prior to the war, there was a recognition on the part of our air forces and domestic operators of intercity bus and truck fleets that rayon cord tires were giving substantially better life and mileage than were tires of cotton cord construction, and that accidents due to blowouts were almost entirely eliminated when rayon cord tires were used, but there was not a great deal of technical data which explained why these results were being obtained from the rayon cord tires. These better results were, in pre-Pearl Harbor days, being obtained when natural crude rubber was available for all tires.

In the past several weeks we have sought to obtain, and to evaluate carefully any technical and operating data that would reveal the various strong points of cotton, rayon, and other materials for use in tires and aircraft fuel cells. Accordingly, early arrangements were made for a meeting with some of the technical experts of the government, Army, and the tire manufacturing industry who had been closely identified with both fundamental research and test work in this field. The following were present at the first meeting:

Mr. D. A. Norman—Production Service Division—Army Ordnance.
Lt. Col. A. R. Davis—Production Service Division—Army Ordnance.
Mr. W. E. Shively—Manager, Design Department—Goodyear Tire & Rubber Co.
Lt. J. M. Forrest—Technical Division—Army Ordnance.
Mr. Addis Finney—Consultant—Office of Rubber Director, W. P. B.

¹ Signature omitted from copy submitted to committee; see, supra, p. 8538.

Mr. Frank Kovacs—Manager, Development Dept.—Seiberling Rubber Co.
 Mr. A. H. Nellen—Consultant—Office of Rubber Director, W. P. B.
 Mr. W. E. Lyon—Manager, Development Dept.—Firestone Tire & Rubber Co.
 Capt. J. J. Robson—Development Branch—Tank-Automotive Center, Detroit.
 Mr. T. J. Newton—Rubber Branch, Production Division—Army Service Forces.

At this meeting, Captain Robson went over in detail the reports of various tests that the Tank-Automotive Center of Army Ordnance had conducted at its several test courses. Others present outlined the scope and results of the test work being carried on by the government and industry test fleets. At our request, Mr. W. E. Shively of Goodyear agreed to call together in Akron the technical men of seven or eight of the representative tire companies who would compile for us a scientific and unbiased report on the fundamental technical factors bearing on the rayon versus cotton cord problem. Mr. W. E. Lyon of Firestone agreed to prepare for us, in collaboration with other tire manufacturers, a study of the man-hours required to build 7.50-20 tires of various fabric constructions.

In addition to these sources, we have contacted other qualified persons for both technical and actual operating results data, as will be shown in the following pages. A study of literature dealing with the subject has also been made.

B. FUNDAMENTAL TECHNICAL DATA

1. *Report of the Technical Representatives of the Tire Companies (see Exhibit A).*

The technologists of eight representative producers of tires submitted their report to us under date of August 19, 1943, to which was attached a covering letter, as follows:

"The tire industry as represented by 4 small and 4 large tire producers presents the attached data representing a scientific and unbiased study of the fundamental structures of rayon and cotton fiber, synthetic and natural rubber, and tires made from their combinations.

"Certain governmental agencies and the tire industry have requested a large increase in the production of high tenacity type rayon cord. This expansion has been contested and declared unnecessary by certain individuals and organizations. It is the consensus of the signatory companies that the present type cotton tire cord is unsatisfactory for the larger truck tires made of synthetic compounds as now known, and that the use of synthetic rubber in these tires definitely requires the use of a tire cord which is superior to any cotton cord in existence.

"It should further be realized that the tire manufacturing industry has immense sums of capital invested in cotton-converting equipment which will be of little use in processing rayon tire cord. Despite this possible financial loss thru obsolescence, the tire industry has been using an increasingly greater percentage of rayon tire cord each year. In 1933, 203,000 rayon tires were produced requiring 2,851,000# of rayon. In 1941, 1,008,000 rayon tires were produced requiring 13,606,000# of rayon, an increase of 380%. This increase was confined principally to truck and bus tires of natural rubber. In the very near future these same tires will have to be made of synthetic rubber.

"The eight undersigned companies consume at least 90% of the rayon used in tires and they agree unanimously that the future truck tire cord will be rayon or some undeveloped material which is superior to rayon for use in tires.

"Should you desire any clarification of this report, please communicate with Mr. A. H. Nellen, of the Rubber Director's Office.

"Yours very truly,

"DUNLOP TIRE & RUBBER COMPANY,
 "THE FIRESTONE TIRE & RUBBER COMPANY,
 "THE GENERAL TIRE & RUBBER COMPANY,
 "THE B. F. GOODRICH COMPANY,
 "THE GOODYEAR TIRE & RUBBER COMPANY,
 "LEE RUBBER & TIRE CORPORATION,
 "SEIBERLING RUBBER COMPANY,
 "UNITED STATES RUBBER COMPANY."

2. *Fundamental Reasons for Superiority of Rayon Cord in Tires.*

The following are a few of the fundamental reasons for the superiority of rayon cord as brought out in the report submitted by these tire manufacturers:

(a) The thicker the tire, the hotter it runs; this is true, irrespective of how the tire is made or what type of rubber or cord construction is used. The tem-

perature of a tire, when operating at 40 miles per hour, increases 5° F. per .03' of thickness; accordingly, a 7.50-20 10-ply cotton cord tire which is 1.315" thick will run 28° F. hotter than an 8-ply rayon cord tire which is 1.147" thick.

(b) Tires of the same thickness, constructed with the same gauge of cord, whether cotton or rayon, but made of GR-S synthetic compounds, will run, under normal operating conditions, 30° to 50° F. hotter than tires made of natural crude rubber. (From such information as we have been able to obtain and as confirmed by the Acting Rubber Director, it appear very dubious that we will be able to obtain within a relatively short time a synthetic rubber that will run appreciably cooler than the GR-S compounds now available. The industry is working very hard on this problem, but we cannot at this time count on an early, successful solution of this problem.)

(c) Tires made with cotton cord construction run hotter than tires made with rayon cord construction even though the rubber content and size of both types of tires are exactly the same. Test data show this to be true. (See Chart O, Exhibit A.) For these tests, 9.75-20 tires were made with cords of identical thickness and number of plies, four different types of rayon were used and one standard cotton. Temperature readings were taken at four different locations; the average of all readings is approximately 10° F. lower for the rayon cord tires than for the cotton cord tires.

(d) Rayon cord retains its tensile strength better than cotton cord at elevated or running temperatures. A great number of independent laboratory tests show this to be true. In this respect, rayon cord vs. cotton cord is somewhat analogous to spring steel vs. soft steel. Spring steel has low elongation and low reduction of area, but it will stand a reversal of stress almost an infinite number of times. A soft steel with high elongation and high reduction of area will stand a reversal of stress only a few times before it cracks; it, like cotton cord, does not have the durability with repeated flexing.

(e) And finally, the physical properties of rayon strands are much more uniform than cotton. It is a recognized fact that uniformity of physical characteristics of the parts of any structure is essential in a sound, durable design. Like the cable of a suspension bridge, a good tire cord must be made up from strands of uniform properties. According to the tests made on six months actual production of both cotton and rayon, rayon fibre varies half as much as cotton. (In the paper "Fatigue of Fabrics," written by four prominent members of the staff of the B. F. Goodrich Company Physical Research Laboratory, and published in the November 1942 issue of the Journal of Applied Physics, it is stated, on page 721, that "The rayon cords are considerably more uniform than cotton cords, the coefficients of variation being about 19% for rayon and 43% for the cotton cords.") A study of the photomicrographs in the Fundamental Data report (Exhibit A) reveals how science has improved on nature by converting nonuniform, imperfect natural cotton or wood fibers into a very uniform and perfect Viscose Rayon fibre.

As we have indicated, technical data showing precisely why rayon cord is better than cotton cord had not been generally publicized; in fact, while it was known that both test and operating results indicated the superiority of rayon, most people were willing to accept that fact without waiting to evolve a full explanation of why it was true.

The V. L. Smithers Laboratories in a letter to us dated August 26, 1943 (Exhibit B) stated, "The comparative merits of cotton vs. rayon in tires cannot be predicted by a study of cold laboratory figures. The final story must be obtained from a study of road performance—many miles of it. The question of cotton vs. rayon can only be settled by accepting the data and advice of men who know the story. This will come from two sources:

(a) Tire men who have had an opportunity to study the performance of both rayon and cotton tires in service;

(b) Fleet owners who put up the cash for tires to be used in hard service.

If you will collect performance data and opinions from the above sources, you will find they almost unanimously support the contention that tires made from rayon will out-perform tires made from cotton. This is particularly evident when heavy service and high temperatures are encountered. In support of the above statement, check the materials used by several tire manufacturers for their hard service mileage contracts before the rayon-cotton controversy was existent."

Before writing to the Smithers Laboratories, we had already contacted the National Association of Motor Bus Operators, The American Trucking Association, and some of the tire companies.

C. OPERATING AND TEST RESULTS

1. *Operating Experience of Inter-City Bus Lines (exhibits C and D).*

The National Association of Motor Bus Operators, under dates of August 20 and 21, 1943, reported on the experiences of various large inter-city bus operators, about as follows:

(a) The Greyhound Corporation, "advises that rayon construction tires have averaged for five leading divisions of the company referred to respectively 129%, 146%, 115%, 143%, and 153% of mileage delivered by tires of cotton construction, the difference being due largely to differentials in loads and atmospheric temperatures. The higher the air temperature the greater the differential in tire mileage. The weighted average based on mileage operated, rayon 130% of cotton, which means 30% more tires would be required if made of cotton than if made of rayon."

(b) Public Service Coordinated Transport of New Jersey also reports on their various services 10% to 30% more mileage, even with present high overloads, using rayon cords than they experienced with cotton cords. They also report, "In the experience of Public Service, cotton tires may be retreaded on an average not greater than 1½ times, whereas rayon construction tires can be retreaded as many as four times." They estimate that their tire requirement would increase at least 20% if cotton cords were used even with natural rubber.

(c) Union Pacific Stages, Inc. and Interstate Transit Lines report "that they have operated exclusively on rayon cord tires since 1938. Cotton construction was used until 1935 at which time their failures became so great in the 11.25/18 and 10.50/22 sizes that it was necessary for the tire manufacturers to convert their fleet to rayon constructed tires as rapidly as possible. Their records indicate that the rayon tires produced from 25 to 27 per cent more mileage than cotton construction. When using cotton construction in the hot weather, particularly between Salt Lake and Los Angeles and Salt Lake and Portland, tire failures on account of blowouts were a great hazard which has been almost entirely eliminated by the use of rayon. Before the use of rayon construction they had had serious accidents caused by the failures of tires of cotton cord construction. They point out that rayon tires do not generate as much heat as cotton." They also state that the highways in the 18 States in which they operate are deteriorating and that cotton construction has less resistance to impact breaks and heat breaks than rayon. They estimate that it would require 100 more tires per month if cotton is used instead of rayon.

(d) Tri State Transit Co. of Louisiana: Data on this company was submitted by the Goodrich Tire Company who furnished the tires for this company on a contract mileage basis. They report only a little over 10% more mileage for rayon cords over that which they formerly obtained with cotton cords, but they go on to state that their buses are now running very heavily overloaded and that if cotton cord tires are used, they will have to reduce the passenger load on all coaches to seated passengers only, which would be a reduction of from 25% to 33½%. They also report serious accidents caused by blowouts from cotton cord tires on front wheels.

(e) Burlington Transportation Co., one of the Trailways group, reports on operations with contract mileage tires West of the Missouri River as follows: "On this contract during the period March 1942 to February 1943, inclusive, 276 size 11.00/20 and 11.00/22 rayon cord tires removed from service averaged 71,532 miles." This is 69% greater average mileage than was obtained during the same period on 89 cotton cord tires of the same sizes removed from operation East of the Missouri River.

(f) Southeastern Greyhound Lines, Jacksonville, Florida, report from as high as 30% increase on 10.00-20 rayon cord tires to a decrease of 10% in mileage on size 11.00-22 tires. This decrease in mileage of the largest tires they use as compared with their old experience with cotton cords is undoubtedly due to the terrific overloading of the big busses in Florida and the whole southeast. Mr. Schultz, Vice President of this company "points out that it would require 200 additional tires per year on this operation if it became necessary to change over to cotton cord, and states that such a change would adversely affect the accident situation."

(g) The Goodyear Tire and Rubber Company, at the request of the Public Service Coordinated Transport of New Jersey, submitted the following performance summary based on the results of its mileage contracts with Public Service and a number of other bus operators:

"The information we give you below covers operations where we have used both cotton and rayon tires and is based on our experience on fifteen different operations. The figures which follow are calculated on a basis of *per/1,000,000 bus miles* and covers the amount of extra time and material necessary to operate cotton instead of rayon tires:

Average percent additional tire units using cotton-----	30%.
Lbs. Rubber increase (AA construction) using cotton in place of rayon--	2240.
Percent increase Rubber using with cotton-----	38%.
Percent increase weight of cotton fabric over rayon fabric-----	66%.
Percent increased man-hours consumption of manufacturing cotton tires over rayon-----	30%.

NOTE.—This covers rubber mill-hours only and does not take into consideration any difference in the man-hours required between cotton and rayon in the fabric room.

Percent increased man-hours servicing the additional cotton tires required. 30%"

From all of the data which we have been able to obtain on the operation of inter-city buses, we concur in the above summary as given by Goodyear. It is obvious that even if natural rubber were available for these tires we would be faced with a very serious problem if these tires were made with cotton cord.

A letter signed by the Firestone Tire & Rubber Company, The B. F. Goodrich Company, The Goodyear Tire & Rubber Company, and United States Rubber Company (Exhibit E), summarizing test of results on 9.00-20 highway type tires made with various synthetic compound constructions, road tested by the industry and Rubber Director's test fleets at Phoenix, Arizona, and San Antonio, Texas, respectively, gives some idea of the stupendous problem that we have to face in keeping our bus lines operating even with rayon cords.

Summary.—To sum up, according to test results to date, using synthetic compounds in S6, 70% synthetic construction (or S5, synthetic tread only, if sufficient natural crude rubber is available), we will have to make at least two times as many tires as are now being made for the inter-city bus lines, even using rayon cords.

With synthetic compounds, the use of cotton cords is absolutely out of the question, because

- (a) fatal accidents will be an almost daily occurrence,
- (b) we have not the facilities to make the number of tires required, and
- (c) loads and speeds would have to be so reduced that our bus service would collapse.

2. Operating Experience of Inter-City Truck Lines.

Mr. John V. Lawrence, Manager, American Trucking Association, in his memorandum to us (Exhibit F) states: "It has not been possible to secure from members of the trucking industry, precise data as to relative mileages secured from tires made with rayon fabric as compared with those made from cotton fabric. Chief reason seems to be that once an operator has determined to use one fabric or the other he tends to concentrate his purchases on the type selected and not to buy tires of both kinds."

Mr. Lawrence and others of his staff indicated that it was very difficult to obtain any information from southern operators, who are using rayon cord tires almost exclusively, because they do not want their customers, who are to a great extent cotton growers, cotton spinners, or cotton goods manufacturers, to know that they are using rayon cords.

Mr. Lawrence's memorandum does offer some interesting statements, however, regarding the experience of a few representative truck operators with rayon and cotton cord tires. Those who cite figures report increases in mileage using rayon cords, in comparison to previous experience using cotton, of from 10% to 33%, even with the heavy overloads being carried today.

Of the nine operators referred to in Mr. Lawrence's memorandum, three particularly comment upon their experience with recapping. Two of the operators state that rayon gives two recaps for one against cotton; the other operators simply points to "very bad" recapping experience with cotton tires.

Operating experience reported by inter-city trucking lines is based on using tires made of natural rubber and usually with rayon cords. Accordingly, the problem of keeping all inter-city truck fleets operating with tires made with synthetic compounds is almost exactly similar to that of the bus lines. It is our opinion that the tires for this service made with synthetic compounds must be constructed with rayon cords.

3. Aircraft Tires

Our Air Services started using rayon cord tires some 4 or 5 years ago. It is of interest to follow the shift away from cotton in aircraft tires as revealed in various memoranda and other reports from the Army Air Corps, Matériel Center, Wright Field:

(a) From a December 15, 1941, report:

"Normal expected service life of 27-inch, Type I, streamline, cotton and rubber casings is 340 hours. Neoprene and rayon, 27-inch, Type II, streamline casings may be expected to give 359 hours of service, and rubber and rayon 27-inch streamline casings should give an average of 444 hours of service." (This is 30% more than the service from cotton tires.)

"Casings with rayon ply are now required by some Air Corps specifications, and a new Army-Navy specification now being prepared to cover all aircraft casings will require rayon ply for all except obsolete sizes of casings."

(b) From a November 7, 1942, report:

"Available evidence indicates the superiority of rayon over cotton for use in the construction of aircraft tires where strength-weight, bruise resistance, and other similar properties are necessary for proper functioning of the equipment."

(c) Captain N. A. Glantz, A. A. F., Rubber-Coordinator, Aircraft Scheduling Unit, on September 1st outlined some of the tire problems on aircraft, calling particular attention to overloads on tires, the tremendous landing impact, the usual heat problems when brakes are applied in landing operations and the necessity for keeping tire weight and size at a minimum.

(d) A letter dated September 13, 1943, embodying the experience and tests as developed by the Materials Laboratory, Wright Field, from Brig. General Frederick M. Hopkins, Jr., Chief, Resources Division, Office, Assistant Chief of Air Staff, M. & M. D., summarizes the engineering reasons that have caused the Army Air Forces to replace cotton with high tenacity rayon cord in aircraft tires, leakproof tanks, and bulletproof hose.

Summary.—There can be no question, we believe, but that aircraft should be furnished with the strongest and lightest tires that can be built. To do otherwise would mean:

(a) endangering the lives of the crews:

(b) a reduction in the amount of fuel, bombs, and ammunition that could be carried; and

(c) the necessity in many cases, of redesigning an airplane to compensate for the increased weight and size needed if cotton cord were used.

The next move in aircraft tire fabric, obviously, is to some cord of even greater strength, etc., than rayon. Recently a small amount of nylon has been made available for this purpose, and we may well anticipate that the Air Forces may present increasingly large demands for tires constructed with nylon.

4. Army Ground Force Tires.

Army Ordnance has carried on a tire testing program of great magnitude at various test courses, with Capt. J. J. Robson of the Tank-Automotive Center in charge of the testing. Army has also had access to the test data obtained by both the tire industry's and the Government's test fleets. Ordnance has the benefit of the actual operating results obtained, both in this country and abroad, from tires of various constructions and contents used on all types of military vehicles. The results of and conclusions drawn from all the reports available to Ordnance are reflected in the following excerpt from a telegram dated August 31, 1943, signed by Capt. Robson:

"Larger synthetic tires 8.25 ten ply and up—On cross country rough terrain military operations where bruising and cutting are principal problems, rayon 93% better than all cotton tires tested. On long distance supply work where heat and sustained operation are principal problems, rayon average 330% better than all cotton tires tested. Cotton results in many cases are so unfavorable that it will not be possible to effect necessary conversions to synthetic rubber

without rayon cord. Rayon for these larger sizes is therefore considered essential in 8.25 ten ply and larger.

"Medium size tires, 7.50-20 and 9.00-16:

On cross country work:

Rayon 38% better than 8 ply cotton with two cap plies;

Ten ply cotton 27% better than 8 ply cotton with two cap plies.

On long distance supply work:

Rayon 24% better than 8 ply cotton with two cap plies;

Ten ply cotton 14% better than 8 ply cotton with two cap plies.

This means, on average, that 24% fewer rayon and 17% fewer ten-ply cotton tires needed than eight ply cotton with two cap plies. Some of tests involved not quite completed and hence subject to slight revision. Also this work expedited to such a degree it has been impossible to check results."

A synopsis of tests conducted by the Tank-Automotive Center to determine the comparative results obtainable from both cotton and rayon cord in 7.50-20 tires has been made available to us. Our report and findings on these tests are attached as Exhibit J.

It is our opinion after an exhaustive analysis and many discussions of these tests, that Capt. Robson's telegram is an accurate summation of the situation and that all combat tires and other tires of 8.25-10 ply and larger must be made with rayon cord construction.

It is almost a certainty, no matter how great the effort, that rayon will not be available in 1944 for the medium-sized tires, 7.50-20 and 9.00-16. However, the maxim, "The better the tire—the longer it will run and the fewer the tires that will have to be made," applies to this size as well as to any other size tire.

D. ADDITIONAL MATERIALS, EQUIPMENT AND MANPOWER NEEDED IN MANUFACTURE OF MEDIUM AND LARGE SIZE TIRES OF COTTON CORD CONSTRUCTION

The following statement made by the Deputy Rubber Director on August 10, 1943, will serve to indicate the additional materials, equipment, and manpower that would be required if the medium and large size tires must be made of cotton cord construction:

"The Army has found that in its tires, which use entirely different types of treads from those on commercial vehicles and which do not have to run constantly overloaded for long runs at high speeds on hot pavements, it can, if necessary, for its medium sized tires, use 10-ply cotton cord in place of 8-ply rayon, with mixtures containing up to 90% synthetic. For these same tires containing only 70% synthetic and 30% crude rubber, it now feels that it can get along with 8-ply cotton plus 2 cap plies.

"If either of these substitutions were adopted for all 7.50-20 and 9.00-16 Army and Lend-Lease tires, there would be a saving of 42,300,000 pounds of rayon. But to make this saving by a 10-ply construction, 69,300,000 pounds of additional cotton tire cord would be used, as well as 1,400 long tons more crude and 7,400 long tons more GR-S synthetic rubber than would be used for 8-ply rayon tires. With 8-ply plus 2 cap plies of cotton there would be 7,100 long tons less of GR-S and an additional 59,800,000 pounds of cotton cord, but this construction would call for a prohibitive use of 12,500 long tons more crude rubber (i. e., three and one-half times as much) than for rayon.

"Furthermore, the use of ten full plies of cotton cords in 7.50-20 and 9.00-16 sizes would require considerable extra manufacturing equipment for tires, including compensators and other service equipment for tire-building machines, new and extra building drums, new and extra bead setting rings, and recutting of curing bag molds. A minimum of three months would be required to make these changes and critical materials and manpower would be involved for the equipment. Ten percent more tire-building machines and labor would be needed for the tire-building operations."

The manpower problem is particularly important as it takes a very strong, 190- to 200-pound young man to build a truck tire. To build only the 7.50-20 tires requested by Army will take 437,322 more manhours annually, if the construction is 8 ply cotton plus 2 cap plies, than it would if 8-ply rayon cord construction is used. If these tires are made with 10-ply cotton construction (as they should be if 90% synthetic is used), the increase over rayon cord tires will be 2,251,881 man-hours annually. And this does not give effect to the additional time re-

quired to make the larger poundage of cotton cord, nor does it give effect to the larger number of tires that would have to be built because the cotton-cord tires would not wear as well as rayon. The seriousness of the over-all manpower situation is generally known, but the facts are that the manpower problems of the tire *and* of the cotton-cord industries are most acute.

Similarly, the need of additional equipment and scarce materials are important factors. The critical shortage of natural crude rubber is well known.

Accordingly, it will be highly desirable to have rayon cord, or a cord enough better than regular cotton cord to make these tires 8-ply.

A possible help in this situation is mercerized cotton cord which was tried out by the United States Rubber Company in bus tires operating in Florida; the life of these tires was almost equal to the life of rayon-cord tires. These tires, of course, were made with natural crude rubber and it has yet to be determined by operating tests whether tires made with 90% synthetic rubber, which runs much hotter, will cause mercerized cotton fabric to fail. Test tires of 7.50-20 size will be made up with mercerized cord and synthetic rubber and tested by the Army, industry, and Government. Results of these tests should be available within about one month.

E. SYNTHETIC RUBBER COMPOUNDS AS RELATED TO TIRE CORD AND THE TIRE-BUILDING PROGRAM

At the meeting of the Ordnance Advisory Pneumatic Tire Committee held in Akron September 9, which Mr. Whitney attended, great stress was laid on the fact that even with adequate amounts of rayon cord, the problem of building ever-increasing quantities of satisfactory heavy-duty tires, using 50% and upward of synthetic rubber compounds, is by no means solved. As previously brought out, the best synthetic 9.00-20 highway-type tires yet produced and made with rayon cord give, on the average, less than half the mileage of tires made from natural crude rubber. This fact shows how serious is the manufacturing problem and how closely producers of tires must continue to cooperate if it is to be promptly solved.

F. TECHNICAL CONCLUSIONS

We are fully convinced:

1. That rayon cord is much superior to cotton cord for use in fuel cells and in tires for aircraft, combat vehicles, and heavy-duty trucks and busses, and that the use of cotton cords with synthetic rubber in these tires or the fuel cells would jeopardize lives on both the fighting and home fronts and materially retard our military, transport, and production operations.

2. That the tests as to the relative superiority of rayon v. cotton cord in tires, made with natural crude rubber or with synthetic compounds, have been adequately comprehensive, fair, sound, and conclusive, and that actual operating results fully confirm test data.

3. That the additional materials, equipment, and manpower that would be needed to manufacture medium and large size cotton-cord tires are, in themselves, sufficiently valid and sound reasons for supplying, in wartime, all the high tenacity rayon cord that can be effectively used.

4. That nylon is the only proved product that is superior to high-tenacity rayon as a tire cord.

5. That the problem of producing, in the large volume required, satisfactory heavy-duty bus and truck tires of larger sizes from synthetic compounds is by no means solved, and that rayon cord or an equally good cord yet to be produced must be used in their manufacture.

II. RAYON CORD PRODUCTION RECORDS—CURRENT INVENTORIES

The use of high-tenacity rayon yarn in tires was small before the war, but the trend was sharply upward. In 1938 production was 4,000,000 pounds—actual use in tires somewhat less. A five-fold production increase took place between 1938 and 1941, to 20,000,000 pounds in the latter year. This year output will be almost three times—about 57,500,000 pounds—the 1941 production. In the last half of 1943 we will produce approximately 33,600,000 pounds, but this will be less than the tire industry could effectively use. As there are no stocks of high-tenacity rayon yarn or cord, other than those in the production process, we will start 1944 without an inventory on which we could draw in that year.

III. RAYON-CORD REQUIREMENTS IN 1944

A. TOTAL REQUIREMENTS

On May 5, 1943, the Office of the Rubber Director formally advised our Textile Division that high-tenacity rayon cord requirements in 1944 would amount to 206,464,000 pounds. In addition, cotton tire cord requirements for next year were then estimated at 210,436,000 pounds, making the total 1944 tire cord fabric requirement 416,900,000 pounds. These fabric requirements included amounts needed for aircraft fuel cells and for a 52,000,000 tire-production program outlined in April by O. R. D. Included in this program were 30,000,000 passenger-car tires for domestic civilian use—all to be made of cotton cord; the balance of the tires of cotton-cord construction were principally scheduled for use on the smaller size trucks and busses.

The 206,000,000-pound rayon-cord figure represented the quantity of fabric required to manufacture the number of tires and fuel cells that various claimant agencies estimated they would require in 1944.

This rayon cord requirement covered the major portion of the fabric required for all truck, bus and trailer, as well as military, tires of the medium and larger sizes—7.00–20/10 ply and up. Although the Army had reported that it “wanted” rayon cord construction in two medium-size tires, namely 7.50–20/8 ply and 9.00–16/8 ply, which constituted 48% of all A. S. F. tire—but only 34% of A. S. F. cord—requirements, it stated that tires in those sizes are adequate with 8 plies of cotton cord if synthetic content is limited to 70% and a special ‘cap ply’ construction is used. In a 90% synthetic content tire of these sizes either 8 plies of rayon or 10 plies of cotton are adequate. Obviously, the high synthetic content is desirable.” O. R. D. reported that the 9.00–13/6 ply tires, also included in the list as requiring rayon cord, would be “adequate” if made with cotton-cord construction. Elimination from the rayon cord category of all tires (whether for the Army or others) of these three sizes would reduce the rayon cord requirement stated by O. R. D. by about 42,000,000 pounds. The use of cotton cord in these three sizes would reduce the stated 1944 rayon cord requirement to about 164,000,000 pounds, but would result in an increase of up to 69,000,000 pounds in the cotton cord needed.

O. R. D. had taken the position, despite Army’s statement that the 7.50–20 and 9.00–16 military-type tires would be acceptable with cotton cord construction, that there were controlling reasons why rayon cord should be provided for these tires, namely, that more rubber (both synthetic and crude), more tire-making equipment, manpower, and poundage of cord would be required. The position taken by O. R. D. resulted, of course, in returning the 1944 rayon cord requirement to the old 206,000,000-pound figure.

As important changes had taken place in various military programs in the months since O. R. D. had made its estimate of 1944 cord requirements, we asked each claimant agency, except the Maritime Commission, to review and to substantiate, if possible, the quantity of rayon cord requested by O. R. D. in behalf of their programs. In addition to discussing requirements with qualified representatives of each agency and to obtaining such supporting information and data as were available, we asked each agency to appear before a special meeting of our Non-Industrial Facilities Committee held Wednesday, September 1.

The testimony taken at that meeting, as well as the other information we obtained, clearly indicated that each agency or claimant desired *at least* as many tires *and* as much rayon cord in 1944 as they had requested of O. R. D. in April. In addition, allowance had to be made for the increased amount of rayon yarn and cord that would be required under the enlarged program to make the production process effective; i. e., quantities at yarn and cord plants, in transit, and at the tire factories. This allowance, together with possible increases in requirements of some claimant agencies, would bring the 1944 requirement beyond the 206,000,000-pound figure as originally stated.

The significant facts and justifications presented by each claimant are developed in detail in Exhibit K. The evidence submitted is most convincing and indicates clearly the need of building the very best quality tires possible this year and next for the military, and, equally important, for the domestic tire-borne transport equipment that is being called upon to carry ever-increasing traffic loads. Total tire and rayon cord requirements were fully substantiated.

INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM 8909

B. FEASIBILITY OF O. R. D.'S 1944 TIRE PRODUCTION PROGRAM

The 1944 tire program of 52,100,000 units presented by O. R. D. represents a tremendous production effort. Included therein are 2,400,000 tires to be produced in Canada, leaving 50,000,000 tires to be turned out in the U. S. next year. This total includes about 30,600,000 passenger car tires; the balance of about 20,000,000 tires are of large size and complexity, requiring vast quantities of materials and of tire manufacturing equipment, as well as a large supply of manpower. Comparison with past production records does not fully reveal the magnitude of the 1944 program unless attention is focused on the number of larger-than-passenger-car-size tires involved:

	Total number of tires produced in U. S.	Of which nonpassenger car tires were:
Average 1936-40, incl.	53,000,000	7,000,000
1941.	61,000,000	11,700,000
1942.	15,400,000	12,400,000
1943 (Partly Est.).....	23,600,000	14,400,000
1944 (Program).....	50,000,000	20,000,000

The tremendous number of large size tires in the 1944 program will go far to explain why O. R. D. estimates the rubber demand in 1944 at about 830,000 long tons and will also serve to explain, in part, why total cord requirements are estimated at 416,900,000 (206,464,000 rayon; 210,436,000 cotton)—the largest tire fabric requirement on record.

A perhaps not fully valid device for indicating the magnitude of the 1944 tire program would be to express that portion of the program that calls for rayon cord in terms of an equivalent number of passenger-car tires. After excluding Canadian requirements and the fuel cell needs, O. R. D.'s stated 1944 rayon cord requirements would net about 166,000,000 pounds. The average passenger-car tire contains about 3.5 pounds of cord fabric. Thus, the 166,000,000 pounds of rayon requested for tires would be sufficient for approximately 50,000,000 passenger-car tires.

The tire-manufacturing facilities of the country have not been fully employed in the past year and a half. Some of these plants have shifted over to other war work and there have been shifts in manpower from tire manufacture to other types of activities. O. R. D. has, we understand, planned a substantial expansion in tire-making facilities, which expansion they hope to complete between now and the summer of 1944. O. R. D. has also sought labor's full cooperation in the tremendous production effort which the 1944 program will require. There seems to be every reason for believing, therefore, that the tire industry will in 1944 be able to increase very sharply its output over the extremely low levels of the past two years.

The tires in the O. R. D. 1944 production program for which rayon cord has been requested constitute the most essential part of our tire needs. We see no reason for believing that O. R. D. will not secure the equipment and manpower needed to turn out this part of the program plus at least a considerable part of the passenger-car-tire objective.

The Rubber Director's Office has estimated the total synthetic-rubber production in 1944 at 749,000 long tons, when expressed in terms of crude equivalent. O. R. D. has stated that this is more than adequate to make the tires for which rayon cord has been requested. Our own calculations fully confirm that statement.

C. OTHER FACTORS AFFECTING RAYON-CORD DEMAND

The military's programs for reconditioning tires in the field and for securing the maximum use of these tires should help to minimize the replacement demand, but this will probably not have an appreciable effect on the tire demand next year.

The duration, intensity, and character of this war will have an important bearing on the demand for rayon cord, particularly since a large portion of the rayon cord requirement goes into tires and fuel cells for military use.

The development of a synthetic rubber that is substantially as satisfactory as natural gum rubber *may* make it possible, even though not desirable, to use cotton cord in some tires for which rayon fabric is now deemed to be absolutely essential.

An ample supply of natural gum rubber *may* have a similar effect upon the demand for rayon cord. However, persons familiar with the problem of developing a full flow of rubber from the Far East indicate that it may well be several years after recapture of these rubber-growing areas before we begin to approach a natural rubber availability such as existed before the war.

All of these factors have an important bearing, but one difficult of precise measurement, on the need next year for rayon cord. The Rubber Director's Office states that forecasts of 1945 cord requirements have not been made.

IV. RAYON CORD PRODUCTIVE CAPACITY

By the end of 1944 the total U. S. productive capacity, from existing facilities and from those being constructed under conversion and/or expansion programs approved to date, will be about 194,000,000 pounds.

Tire manufacturers report that the high tenacity rayon yarn now produced is not of equally high quality. The present product of two of the companies is considered by many as unsatisfactory for tires. The manufacture of high tenacity rayon yarn is a relatively new development in this country, and the manufacturers apparently have not heretofore exchanged technical and operating information freely. This apparently is required if a satisfactory and uniformly high quality of rayon tire cord is to be obtained from all producers, including the Canadians.

Canadian capacity, not included above, is estimated at 6,400,000 pounds annually, effective January 1, 1944. Close estimates of the high tenacity rayon productive capacity in the United Kingdom are not now available, but the information at hand places the capacity at about 10,000,000 pounds annually. Because of labor shortages and other factors, U. K. output at the present time is said to be at the rate of about 2,000,000 pounds annually.

North American capacity, under existing programs, will be 200,000,000 pounds; United Nations' capacity about 210,000,000 pounds.

V. HIGH TENACITY RAYON CORD PRODUCTION IN 1944

Existing high tenacity capacity in this country, together with the capacity of all conversions and expansions approved to date by W. P. B., will provide the United States with an annual capacity by the end of 1944, or early 1945, of 194,110,000 pounds, but these facilities will not be able to produce that quantity of yarn during 1944.

In August the Office of the Rubber Director was informed that the facilities then approved—which did not include the 32,000,000 pound additional program approved September 4th—would produce 148,000,000 pounds during the calendar year 1944, of which 68,000,000 would be in the first half and 80,000,000 pounds in the last six months of that year.

The Textile Division subsequently provided us, at our request, with a schedule showing estimated production for each month from July, 1943 through December, 1944 on a plant by plant and program by program basis. This information indicated that the plants that would have an annual capacity by the end of 1944 of about 162,000,000 pounds would produce only 110,000,000 pounds during that year. The Textile Division checked and rechecked that estimate with the companies concerned and their contractors and subsequently advised that no more than about 112,059,000 pounds could be counted on from the facilities then in the program. Since these production figures were obtained, W. P. B. has approved a further 32,000,000 pound expansion program from which we will receive in 1944 an additional production increment of 5,670,000 pounds, bringing the total 1944 output, as estimated by the Textile Division, to 117,729,000 pounds.

While it is Textile's best information that a U. S. output of 118,000,000 pounds in 1944 can only be achieved after obtaining about the ultimate in W. P. B. priority and scheduling assistance, it is our own judgment that these production forecasts can, with full W. P. B. and industry support, be bettered by at least 10,000,000 pounds, if appropriate measures are taken promptly. These measures include: Careful scheduling of the critical equipment items required to complete the approved projects, perhaps some sub-contracting by the companies manufac-

turing equipment of the type needed and education of others in the manufacture of some of the equipment, shifting of some of the other war orders of the textile equipment manufacturers to other factories and, finally, providing the Textile Division with adequate personnel to follow the construction program as closely as will be necessary.

The facts regarding probable Canadian and U. K. production are not entirely clear, but perhaps not over an outside maximum of 8,500,000 pounds should be expected in 1944. This will bring the total rayon cord production next year to at least 126,229,000 pounds if the present production estimates are bettered, to meet our forecast, we may have 136,000,000 pounds next year from all facilities now in the program—U. S., U. K., and Canadian.

VI. RAYON CORD REQUIREMENTS—SUPPLY SUMMARY FOR 1944

The position vis-a-vis rayon cord requirements in 1944 may, unless the demand picture changes materially or unless additional facilities are converted or constructed, be within the following range:

		<i>Minimum Stated Requirements Basis [Thousands of Pounds]</i>
Requirements-----		206,464
Less New Supply:		
U. S. facilities in 194,110,000-pound program-----	117,729	
Canadian & U. K. facilities-----	8,500	
		<hr/> 126,229
		80,235
Deficit, before deducting: Cord requested for tire sizes in which cotton fabric is "adequate"-----		<hr/> 42,092
Net deficit-----		38,143

To the extent that additional output from facilities now in the program can be achieved—we believe 10,000,000 pounds more in 1944 is possible—the reported deficits will be reduced. It should be noted here, however, that O. R. D. has asked, for valid reasons, that the 42,000,000 pounds requested for the 7.50-20/8 ply and 9.00-16/8 ply tires be supplied in rayon cord.

ORD is aware of the prospective increases in rayon cord requirements that the claimant agencies may submit. It has not, however, put forward a new requirements statement, but has reaffirmed the 206,000,000-pound rayon cord figure.

VII. COTTON CORD REQUIREMENTS AND SUPPLY IN 1944

To the extent rayon cord is not provided for the 1944 tire program, cotton cord, in the ratio of 1.3 to 1.5 pounds per pound of rayon, depending upon type of tire, will be required to meet the *quantitative* deficit. On August 31, 1943, ORD advised our Textile Division that the minimum cotton cord requirements would be:

1943—Last Half-----	134,800,000 pounds
1944—First Half-----	158,700,000
1944—Last Half-----	187,500,000
	<hr/> 346,200,000 pounds

These estimates were predicated on a 1944 rayon cord availability of only 110,600,000 pounds. If the Allies produce 126,000,000 to 136,000,000 pounds of high tenacity rayon cord in 1944, a reduction of from 21,000,000 to 39,000,000 pounds would result in the cotton fabric requirement, reducing this requirement in 1944 to 307/325,000,000 pounds.

Currently cotton cord production is running at the rate of about 242,000,000 pounds annually. The manpower difficulties of cotton cord manufacturers have been a limiting factor to increased production. Wage levels, housing and Selective Service requirements are factors affecting labor supply for the cotton cord plants in that area.

The Textile Division expects that with increased manpower, more housing, some new twisting facilities, longer working hours and with a reduction in the

number of sizes and types of cord manufactured the cotton industry will increase 1944 production somewhat above the 242,000,000 present annual rate. Production of other items needed in the war effort may make it difficult for the cotton cord plants to approach the 1941 peak output of 315,000,000 pounds of cord.

VIII. COST OF EXPANSION IN RAYON YARN FACILITIES

Last September WPB approved a conversion program providing 50,160,000 pounds additional high tenacity rayon yarn capacity; in the past month, so-called expansion/conversions providing an additional 100,650,000-pound capacity were approved. The estimated cost of the projects in each program amounted to \$7,263,000 and \$36,956,000, respectively, or \$0.14 and \$0.37 per annual pound of capacity. Considerable new construction were involved in the latter program. Because of low priority ratings and the absence of applied pressure to hasten the conversions, some of the projects approved last fall will not be in full production until late this year or early in 1944. Projects in the more recent program are now expected to be in partial operation by the summer of 1944 and at full capacity by about the end of that year.

New "grass roots" plants cost an estimated \$.60 to \$.75 per annual pound and require about 9 to 12 months to come into partial operation—fifteen months for full production.

Viscose continuous filament yarn manufacturing facilities in this country—other than those in the high tenacity program—have an annual capacity of over 250,000,000 pounds. The Textile Division recently informed us that further conversions of ordinary viscose plants to high tenacity yarn production could be accomplished at a plant cost of about \$.30 per annual pound and that some of these conversions could be brought into partial operation in about 8 or 9 months. Such viscose conversions would result in about a corresponding decrease in rayon yarn produced for civilian, etc., uses, which decrease can perhaps be partially offset by increased acetate rayon production if the acetic acid supply is made adequate.

The high tenacity rayon program approved to date may require a small expansion—cost estimated by the Chemicals Division at less than \$750,000—in facilities to produce supporting chemicals, such as carbon bisulphide and sulphuric acid. Possible pulp supply shortages—both cotton linter and wood pulp, however, may not materialize. The possible need for some additional twisting facilities to produce cotton and/or rayon tire cord is being investigated by the Textile Division.

IX. RECENT WPB ACTIONS AFFECTING THE HIGH TENACITY RAYON CORD PROGRAM

A. Approval of the 68,000,000 pound expansion/conversion program was given August 11, 1943.

B. Additional facilities, increasing capacity by 32,000,000 pounds, were authorized by the Program Vice Chairman on September 4.

C. All the necessary authorizations required by the companies to proceed promptly with the program have been given by WPB.

D. AA-1 priority authorizations extendable, where needed, to \$19,400,000 worth of materials and equipment for the entire program have been granted.

X. RECOMMENDATIONS

The plain facts clearly show that we are facing a most dangerous tire cord supply problem—both cotton and rayon. It must be promptly solved if we are to avoid serious damage to the war effort on both the fighting and home fronts.

Accordingly, we make the following major recommendations:

A. That the manpower and equipment needs of the cotton cord mills be effectively and promptly met. Among other things, this may involve housing, draft deferment, and wage level problems.

B. That such measures as are necessary be taken, *both by WPB and industry*, to accomplish the earliest possible completion of all high tenacity rayon projects now in the approved expansion program *and* to assure the maximum output of high-quality rayon from all facilities. Among other things, further and more active exchange of technical and production know-how is required.

C. That WPB promptly secure the conversion of about 40,000,000 pounds annual capacity from rayon yarn facilities not now a part of the high-tenacity program

and grant such priority and scheduling assistance as may be required to obtain from these further conversions about 20,000,000 pounds of high tenacity rayon yarn in 1944. This will increase total U. S. and Canadian capacity in the high-tenacity program to 240,000,000 pounds, but will not, based on our best present information, produce enough to eliminate the 1944 rayon cord deficit.

D. That the feasibility of providing new nylon capacity to the extent of 15/20,000,000 pounds annually be immediately investigated because we believe that more nylon than is now available is highly desirable, and may soon prove absolutely essential, for aircraft tires and other related uses.

Respectfully submitted.

H. LEROY WHITNEY,
Technical Consultant to the Chairman.

JAMES A. JACOBSON,
By H. L'R. W.
Special Assistant to the Chairman.

SEPTEMBER 13, 1943.

EXHIBIT A

THE TIRE AND RIM ASSOCIATION, INCORPORATED
2001 First—Central Tower

AKRON, OHIO, August 19, 1943.

Mr. H. LEROY WHITNEY,
Technical Consultant to Chairman, War Production Board,
4513 Social Security Bldg.,
Washington, D. C.

DEAR MR. WHITNEY: The tire industry as represented by 4 small and 4 large tire producers presents the attached data representing a scientific and unbiased study of the fundamental structures of rayon and cotton fiber, synthetic and natural rubber, and tires made from their combinations.

Certain governmental agencies and the tire industry have requested a large increase in the production of high-tenacity type rayon cord. This expansion has been contested and declared unnecessary by certain individuals and organizations. It is the consensus of the signatory companies that the present type cotton tire cord is unsatisfactory for the large truck tires made of synthetic compounds as now known, and that the use of synthetic rubber in these tires definitely requires the use of a tire cord which is superior to any cotton cord in existence.

It should further be realized that the tire manufacturing industry has immense sums of capital invested in cotton converting equipment which will be of little use in processing rayon tire cord. Despite this possible financial loss thru obsolescence, the tire industry has been using an increasingly greater percentage of rayon tire cord each year. In 1938, 205,000 rayon tires were produced requiring 2, 851,000# of rayon. In 1941, 1,008,000 rayon tires were produced requiring 13,606,000# of rayon, an increase of 380%. This increase was confined principally to truck and bus tires of natural rubber. In the very near future these same tires will have to be made of synthetic rubber.

The eight undersigned companies consume at least 90% of the rayon used in tires and they agree unanimously that the future truck tire cord will be rayon or some undeveloped material which is superior to rayon for use in tires.

Should you desire any clarification of this report, please communicate with Mr. A. H. Nellen of the Rubber Director's Office.

Yours very truly,

DUNLOP TIRE & RUBBER COMPANY,
THE FIRESTONE TIRE & RUBBER COMPANY,
THE GENERAL TIRE & RUBBER COMPANY,
THE B. F. GOODRICH COMPANY,
THE GOODYEAR TIRE & RUBBER COMPANY,
LEE RUBBER & TIRE CORPORATION,
SEIBERLING RUBBER COMPANY,
UNITED STATES RUBBER COMPANY,

A COMPARISON OF THE FUNDAMENTAL STRUCTURE AND PROPERTIES OF COTTON AND RAYON FIBERS AND THEIR PERFORMANCE IN TIRES CONSTRUCTED OF NATURAL AND SYNTHETIC RUBBERS

SUMMARY OF DATA—"RAYON VS. COTTON" As Submitted to H. LeRoy Whitney
August 19, 1943

Effect of Tire Thickness on Rim Temperature.—Increased tire thickness increases the tire temperature. This rise is approximately 5° F. per .03" increase in tire body thickness. (Section I.)

Comparison of GR-S vs. Natural Rubber Temperature—Same Tire Thickness.—Tire temperature increases and mileage to failure decreases as the amount of synthetic used in any tire is increased. This is true of all loads and speeds. (Section II.)

Heat-Generating Properties of Natural Rubber Compounds vs. GR-S Compounds (Tread and Carcass).—The heat-generating properties of GR-S compounds are considerably greater than that of natural rubber. (Section III.)

Cause of extra heat in GR-S.—More heat is developed in GR-S compounds because the molecular structure of GR-S is dissimilar to that of natural rubber. (Section IV.)

Fundamental Difference of GR-S vs. Rubber—Molecular Structure.—The fundamental difference of GR-S and natural rubber lays in the cross linkages and crystalline alignments to be found in their respective molecular structures. (Section IV.)

Uniformity of Physical Properties—Cotton vs. Rayon Cord.—Rayon has greater uniformity of physical properties than cotton cord due to more uniform structure. (Section V & VIII.)

Rayon and Cotton Fiber—Fundamental Differences.—Cotton is subject to variations of nature in its growth. Rayon is produced under very accurately controlled conditions to desired specifications. Cotton is made up of short variable length fibers. Rayon is made up of continuous filaments. Cotton is tubular in structure and varies considerably in uniformity of wall thickness and in diameter from point to point. Rayon being a solid has no variation in wall thickness and is more uniform in diameter. (Section VIII.)

Comparison of Running Temperature of Rayon vs. Cotton Tires—GR-S and Rubber.—The running temperature of cotton is greater than that of rayon tires. This is true both for natural rubber and synthetic compounds, with the synthetic developing a considerably higher temperature. (Section VI.)

Plunger Test Comparisons—Rayon vs. Cotton—GR-S vs. Rubber.—Rayon is superior to cotton in resistance to body breaks as obtained by the plunger-test method. This is true both of GR-S and rubber constructions. (Section XI & X.)

Performance Data—Rayon vs. Cotton.—Rayon tires, including both synthetic and rubber constructions, average 60% better than cotton tires in mileage performance in Army Ordnance tests at Normoyle and Seeley. These tests include a total of 423 cotton and 439 rayon tires. (Section X.)

Impact failures on commercial truck fleets are the chief cause of tire removal. One-half as many failures were experienced with rayon tires at 37% greater mileage as with cotton tires when tested on the same fleet. (Section X.)

Types of Tires Requiring Rayon Other Than Synthetic Military and Civilian Truck Tires.—Certain types of tires other than synthetic military and civilian truck tires require rayon. (Section XII.)

Practically all intercity bus tire operations have used rayon tires exclusively for the last five years.

The use of rayon in airplane tires has become almost universal for both military and civilian use.

Rayon is being found much superior to cotton in many types of special service tires such as those used in strip mining, lumbering, and excavating service.

Amount of Rayon Used in Pre-War Tires.—The increasing requirements for rayon are reflected in the pre-war tire production. There were 2,800,000# of rayon used in 1938 and 13,606,000# used in 1941 confined primarily to large size truck tires. (Section IX.)

I. EFFECT OF TIRE THICKNESS ON RUNNING TEMPERATURE

Increased tire thickness increases the running temperature. This is true for an increase in the tread or carcass, or both.

Attached charts covering experimental data on several sizes indicate that this rise is approximately 5° F. per $\frac{1}{32}$ " increase in tire body.

The following charts are attached:

Chart A—Tire Body Thickness vs. Temperature.

Chart B—Thread Thickness vs. Temperature.

Chart C—Ply Thickness vs. Temperature.

Chart D—Extra plies vs. Temperature.

II. COMPARISON OF GR-S VS. NATURAL RUBBER TEMPERATURE—SAME TIRE THICKNESS

Tire temperature increases and mileage to failure decreases as the percentage of synthetic to natural rubber is increased.

This increase is not a straight line function, but becomes increasingly greater as the percentage of synthetic is increased. This is reflected in the mileage to failure.

Of equal importance is the fact that this temperature differential exists under varying conditions of load and speed.

The following charts are attached:

Chart E—Buna S to Rubber Ratio vs. Tire Temperature. (7.50–20)

Chart F—Buna S to Rubber Ratio vs. Tire Failure. (7.50–20)

Chart G—Buna S to Rubber Ratio vs. Tire Temperature. (9.00–20)

Chart H—Buna S to Rubber Ratio vs. Tire Failure. (9.00–20)

Chart I—Step Load vs. Tire Temperature.

Chart J—Step Speed vs. Tire Temperature.

III. HEAT-GENERATING PROPERTIES OF NATURAL RUBBER COMPOUNDS VS. GR-S COMPOUNDS (TREAD AND CARCASS)

Heat-generating qualities of a given compound can be evaluated by measuring the rebound of a pendulum striking a sample of the compound thru a given arc. Energy not returned by the pendulum after impact is absorbed by the sample and expended in heat. Therefore, higher heat-generating properties are reflected by lower percentage rebounds.

All synthetic compounds, carcass, or tread, are found to have considerably less rebound than natural rubber stocks.

The following chart is attached:

Chart K—Pendulum Rebound Test—Synthetic vs. Rubber.

For further detail see "The Second Mile" by Dr. L. B. Sebrell, reprint of which is attached.

IV. CAUSE OF EXTRA HEAT IN GR-S

"The Second Mile" by Dr. L. B. Sebrell is a highly technical treatise on the fundamental difference of structure and behavior of synthetic and natural rubbers.

A reprint from Industrial and Engineering Chemistry is attached.

V. UNIFORMITY OF PHYSICAL PROPERTIES—COTTON VS. RAYON CORDS

The value of a supporting element of any structure is highly dependent on the uniformity of the individual units comprising the structure. Therefore, tire body strength is in turn affected by the uniformity of tensile and elongation properties of the individual cords.

Statistical evaluations of uniformity show that rayon is several times more uniform than cotton cord.

The average properties of rayon and cotton cord as produced over a six-month period are represented by the data on the attached charts:

Chart L—Rayon Cord Stress Strain Chart.

Chart M—Cotton Cord Stress Strain Chart.

The effect of the uniformity as discussed above is reflected in actual physical tests when the cords are tested as a group.

Twenty-five cords (each of cotton and rayon) were broken individually and the arithmetical average determined. This was compared with a like number of similar cords broken as a group. Data below.

	Tensile Strength 25 Cords Broken Singly—Arith- metical Avg.	Tensile Strength 25 Cords Broken at once—Actual Avg.
Cotton.....	19.0#	14.5#
Rayon.....	13.0#	12.7

Then the actual inch strength of the wall is not the arithmetical average \times the number of cords per inch, but is more nearly the effective strength of the group \times the cords per inch—or

Apparent Wall Strength Ratio—

Cotton—26 ends/inch \times 19 tensile = 494.

Rayon—33 ends/inch \times 13.0 tensile = 429.

Actual Wall Strength Ratio—

Cotton—26 ends/inch \times 14.5 = 379.

Rayon—33 ends/inch \times 12.7 = 419.

VI. COMPARISON OF RUNNING TEMPERATURE OF RAYON *vs.* COTTON TIRES—GR-S AND RUBBER

The running temperature of cotton is greater than that of rayon tires. This is true both for natural rubber and synthetic compounds, with the synthetic developing a considerably higher temperature.

The following charts are attached:

Chart N—Running Temperature—Rayon *vs.* Cotton Tires—Rubber and Synthetic—Step Load Tests.

Chart O—Operating Temperature of Cotton and Rayon Tires by Various Methods (Tires of same thickness).

Chart P—Running Temperature (7.50–20) Rayon *vs.* Cotton—Rubber and Synthetic Step Speed Tests.

Chart R—Temperature Comparison (9.00–20) Rayon *vs.* Cotton—Rubber Tires—Step Speed Test.

Chart S—Temperature Comparison (9.00–20) Rayon *vs.* Cotton—Rubber Tires (approximately same gauge) Step Speed Test.

The effect of heat on rayon and cotton cords both having equal tensile strength at 75° F.—45%. Relative humidity is shown on attached chart.

Chart W—Tensile Strength at Various Temperatures—Rayon *vs.* Cotton Cords.

VII. FUNDAMENTAL DIFFERENCE OF GR-S *vs.* RUBBER—MOLECULAR STRUCTURES

Refer to Item IV. Dr. L. B. Sebrell's report on Natural and Synthetic Rubbers.

VIII. RAYON *vs.* COTTON FIBER—FUNDAMENTAL DIFFERENCE

The primary fundamental differences between rayon and cotton fibers are as follows:

Structure.—Cotton is a collapsed tubular structure composed of many fine threads called fibrils. Rayon fiber is a solid and rod-like in formation and exhibits no similar fibril structure as found in cotton.

Cotton fibers vary considerably in uniformity of wall thickness and diameter from point to point throughout their length. Rayon being a solid has no variation in wall thickness and is more uniform in diameter.

Length.—The fiber length of cotton as found in the natural state is expressed in terms of average. This average is in turn a figure which represents approximately 25% of the fibers of any particular specimen. The remaining fibers may vary from 10% to 150% of the average.

For example, a specimen of cotton fiber said to have an average length of 1'' would have approximately 25% of the fiber examined 1'' in length: the remaining 75% would vary from very short individual fibers which might be no longer than $\frac{1}{8}$ '' to others of $1\frac{1}{2}$ '' . The percentage of fibers above the average being very small.

The fiber length of continuous filament rayon is as the name indicates almost continuous. The fiber length of the longest cotton known is approximately 2''. That used in tires is approximately $1\frac{1}{16}$ '' . In a stand of rayon yarn there may be a few broken filaments present, but when compared to the short individual fibers of cotton in a strand of yarn, a fair comparison can be made by stating that rayon consists of continuous filaments.

Oils and Waxes.—All natural cotton fibers contain an appreciable percentage by weight of oils and waxes which are not present in rayon fibers. Many experiments performed have shown that the removal of these oils and waxes produces a stronger yarn, but to date no satisfactory method of removing them has been developed for tire yarn.

Molecular Structure.—The cellulose molecules in rayon are approximately $\frac{1}{5}$ as long as those in cotton and cotton is more highly oriented.

The attached photomicrographs of Common Textile Fibers—Extracted from A. S. T. M. Standards on Textile Materials. The attached photomicrographs illustrate very effectively some of the points mentioned above.

IX. AMOUNT OF RAYON USED IN PRE-WAR TIRES

The following data gives the tires produced and amount of rayon consumed by the tire industry for a four-year period preceeding the war.

The increased consumption during this period was 380% and was confined primarily to truck tires of the larger size.

Pounds of rayon and number of rayon tires produced—1938-1941

	1938	1939	1940	1941
Tires.....	205,000	711,000	775,000	1,008,000
# Rayon.....	2,851,000	6,739,000	8,045,000	13,606,000

X. PERFORMANCE DATA—RAYON *vs.* COTTON

Attached data cover the performance of cotton and rayon, army and commercial tires:

Summary of 7.50-20 ordnance synthetic tire tests relating to rayon vs. cotton cord

Test No. & type	Ordnance Tire Test Fleet (Normoyle) General Service Test—Ave. Miles, Orig. Tires			Ordnance Desert Proving Ground (Seeley) Heat & Separation Test—Ave. Miles, Orig. Tires		
	Cotton ¹	Rayon ¹	% Imp.	Cotton ¹	Rayon ¹	% Imp.
ND13 Orig. S-3 100% Syn.....	4850 (25)	9340 (5)	93	3936 (11)	8394 (4)	113
ND13 Orig. S-4 90% Syn.....	4420 (20)	-----	-----	6279 (10)	-----	-----
N32 Rubber.....	9466 (30)	9026 (25)	-5	3126 (18)	5334 (17)	71
ND50 100% Syn.....	4417 (15)	7302 (25)	65	7796 (32)	13267 (37)	70
ND58 Exp. Syn.....	6719 (45)	10616 (55)	58	412 (3)	1381 (3)	236
ND114 100% Syn's.....	2231 (5)	5463 (5)	145	-----	-----	-----
Low Ga.	-----	-----	-----	Low Ga.	-----	-----
ND115 100% Syn's.....	2119 (5)	7272 (5)	244	8414 (3)	7030 (3)	-16
ND125 70% Syn's.....	-----	9721 (5)	-----	-----	13836 (33)	-----
ND127 90% Syn's.....	-----	9296 (35)	-----	-----	11222 (21)	-----
ND127 81% Syn's.....	-----	8033 (5)	-----	-----	13007 (4)	-----
ND136 70% Syn's.....	4209 (25)	-----	-----	8022 (18)	-----	-----
ND140 & 174 90% Syn's.....	4437 (29)	6785 (25)	53	6556 (24)	8011 (18)	22
ND195 70% Syn's.....	4113 (74)	6651 (38)	62	6646 (31)	8190 (26)	23
Average.....	4790 (273)	7710 (273)	60	6500 (150)	10520 (166)	62

¹ Figures in parentheses indicate number of tires.

Cotton vs. Rayon—Commercial truck fleet results

	Tire Size	Original Number of Tires	No. of Impact Failures	Avg. Mileage at Failure	% Impact Failures
Cotton.....	8.25-20.....	150	22	25,354	14.7
	9.00-20.....	200	25	36,768	12.5
	10.00-20.....	127	13	45,874	10.2
Rating.....	All.....	477	60	34,533 Avg. 100%	12.6 100
Rayon.....	8.25-20.....	118	7	32,946	5.9
	9.00-20.....	281	21	50,943	7.5
	10.00-20.....	33	1	69,781	3.0
Rating.....	All.....	432	29	43,300 Avg. 137%	6.7 53

XI. PLUNGER TEST COMPARISONS—RAYON VS. COTTON—GR-S VS. RUBBER

The plunger test breaking the tire body simulates road impact bruise. The resistance to this type of failure is definitely affected by the uniformity of the material comprising the tire body.

Rayon being superior to cotton in uniformity, a greater resistance to body break is obtained with rayon cord.

The following chart is attached :

Chart S—Body Break resistance—Cotton vs. Rayon—Two temperature conditions

XIII. TYPES OF TIRES REQUIRING RAYON OTHER THAN SYNTHETIC MILITARY & CIVILIAN TRUCK TIRES**1. Intercity Bus Tires.**

Practically all intercity bus operations have used rayon tires exclusively for at least five years.

Rayon tires have been demanded for this service—

1. To provide safety at high speed
2. To maintain schedules free from road delays
3. To reduce cost of operation

When, due to a shortage of rayon, it has been necessary to use cotton tires in this service serious accidents have resulted and these premature failures resulted in a waste of rubber, other materials, and manpower.

Natural rubber rayon tires in this service under present overtaxed conditions have no great margin of safety.

2. Airplane Tires.

The use of rayon in airplane tires has become almost universal for both military and civilian use. Lighter and stronger tires can be made from rayon than from cotton. Cotton tires are no longer permitted by the Army or Navy on their combat or transport planes.

3. Special Purpose Tires.

Rayon is being found much superior to cotton in many types of special service tires such as those used in strip mining, lumbering and excavating service. All data presented pertaining to truck tires in this report apply even to a greater extent in this type of service.

EXHIBIT B

V. L. SMITHERS LABORATORIES

2706 First Central Tower

AKRON, OHIO, August 26th, 1943.

WAR PRODUCTION BOARD,

Washington, D. C.

(Mr. H. LeRoy Whitney, Technical Consultant to the Chairman.)

DEAR MR. WHITNEY: Your letter of August 20th was delivered the afternoon of August 24th by a representative from Wright Field. I apologize for the delay in responding.

I have been directing the activities of V. L. Smithers Laboratories for over eighteen years. One of our major activities is in the destructive laboratory analyses of pneumatic tires. During the entire period of our work in this field, we have rendered this technical service to practically every tire manufacturer in the United States.

Within this background of experience and years of close association with the tire industry, I am obliged to tell you what you probably have heard or will hear from most tire technicians—the comparative merits of cotton vs. rayon in tires cannot be predicted by a study of cold laboratory figures. The final story must be obtained from a study of road performance—many miles of it.

The question of cotton vs. rayon can only be settled by accepting the data and advice of men who know the story. This will come from two sources.

(a) Tire men who have had an opportunity to study the performance of both rayon and cotton tires in service;

(b) Fleet owners who put up the cash for tires to be used in hard service.

If you will collect performance data and opinions from the above sources, you will find they almost unanimously support the contention that tires made from rayon will outperform tires made from cotton. This is particularly evident when heavy service and high temperature are encountered.

In support of the above statement, check the materials used by several tire manufacturers for their hard service mileage contracts before the rayon-cotton controversy was existent.

Yours very truly,

V. L. SMITHERS LABORATORIES,

(Signed) V. L. SMITHERS, *President*.

EXHIBIT C

NATIONAL ASSOCIATION OF MOTOR BUS OPERATORS,

Washington 5, D. C., Aug. 21, 1943

MR. H. LEROY WHITNEY,

Technical Consultant to the Chairman, War Production Board,
Room 4513 Social Security Building, Washington, D. C.

DEAR MR. WHITNEY: Supplementing my letter of yesterday with reference to the experience of intercity operators with rayon cord and cotton cord tires, I am giving you further information which I have just received from Mr. C. G. Schultz, First Vice President of the Southeastern Greyhound Lines, Jacksonville, Florida, with reference to the experience of his company.

Mr. Schultz reports that on his 10.00/20 tires they averaged 4,100 miles with rayon cord tires and 33,100 miles with cotton cord; on 10.00/18, they averaged 36,600 miles with rayon cord as against 30,600 miles with cotton cord, and on their 11.00/20, they averaged 33,700 miles with rayon cord as against 30,900 miles with cotton cord tires. On their tires size 11.00/22, 27,300 miles was averaged with rayon cord tires, while 31,300 miles was averaged with cotton cord tires.

Mr. Schultz points out that it would require 200 additional tires per year on his operation if it became necessary to change over to cotton cord, and states that such a change would adversely affect the accident situation.

Cordially yours,

(Signed) A. W. KOEHLER,
Secretary-Manager.

PUBLIC SERVICE COORDINATED TRANSPORT

Mr. M. R. Boylan, Vice President in charge of Operations of Public Service Coordinated Transport of Newark, N. J., reports for his company that the experience on their property has proven the superiority of rayon over cotton. He goes on to say that rayon has greater tensile strength, greater flexing ability, and is more heat resistant, which is a big factor under traffic loads of today. Mr. Boylan points out that when industry went from cotton to rayon, the average mileage per tire on his property increased from 10 to 30%, depending upon speed, load and heat conditions. With traffic demands and limited number of buses available, present bus and tire loads are greater than ever before and present tire mileages would increase more than 10 to 30% if compelled to use cord. It has also been the experience of Public Service Coordinated Transport that cotton tires cannot be retreaded as many times as rayon, which would be a further loss of rubber. In the experience of Public Service, cotton tires may be retreaded on an average not greater than $1\frac{1}{2}$ times, whereas rayon construction tires can be retreaded as many as four times.

Mr. Boylan states further that the use of cotton tires under present operating and road conditions would reduce safety factor and greatly increase accident hazard. He estimates their tire requirements would increase at least 20% if cotton were used. Public Service uses approximately 8,500 tires per year, the number varying according to season. For instance, this month they expect to secure 1,100 tires from the Rationing Board, supplying their needs. In the winter months this number is considerably less, bringing the total to the 8,500 which has been mentioned.

In conclusion, Mr. Boylan points out that with the use of synthetic rubber, rayon construction becomes even more important in order to reduce heat and its effect on synthetic rubber. He emphasizes that rayon is necessary to prolong the life of the tire and thus conserve the maximum amount of rubber. He strongly recommends that cotton cord be not used in the manufacture of intercity bus tires.

UNION PACIFIC STAGES, INC., AND INTERSTATE TRANSIT LINES

Mr. Russell J. Walsh, President of Interstate Transit Lines, reporting for Union Pacific Stages, Inc., and Interstate Transit Lines, of Omaha, Nebraska, states that they have operated exclusively on rayon tires since 1933. Cotton construction was used until 1935, at which time their failures became so great in the 11.25/18 and 10.50/22 sizes that it was necessary for the tire manufacturers to convert their fleet to rayon constructed tires as rapidly as possible. Their records indicate that the rayon tires produced from 25 to 27 percent more mileage than cotton construction. When using cotton construction in the hot weather, particularly between Salt Lake and Los Angeles and Salt Lake and Portland, tire failures on account of blowouts were a great hazard which has been almost entirely eliminated by the use of rayon. Before the use of rayon construction they had had serious accidents caused by the failure of tires of cotton cord construction. They point out that rayon tires do not generate as much heat as cotton.

Interstate Transit also called attention to the fact that the highways in the eighteen states in which they operate are deteriorating due to a shortage of labor to repair them, and their tires are subjected to more abuse now than normally by reason of the lack of proper highway maintenance. Their experience shows that cotton construction has less resistance to impact breaks and heat breaks than rayon. They estimate that it would require 100 more tires per month if cotton construction is used instead of rayon.

Interstate Transit Lines normally uses 350 tires per month.

TRI STATE TRANSIT CO. OF LOUISIANA

Mr. W. H. Johnson, President of Tri State Transit Company of Louisiana, Inc., Shreveport, Louisiana, reports that it will be necessary that we contact Goodrich Tire Company of Akron regarding information on average miles per tire on their system as they do not have the figures.

Contacting Akron, we learned that Tri State Transit of Shreveport, Louisiana had operated on the 11.00/20 tires 35,000 miles on rayon construction tires and 30,100 miles on cotton. On their 11.00/22 they operated 29,100 miles on rayon and 26,300 miles on cotton. Mr. Johnson states that his company has had a very bad experience with cotton cord tires in the past. Their coaches are running very heavily overloaded, he says, and if cotton cord tires are used they will have to

reduce the passenger load on all coaches to seated passengers only. This will reduce their operation from 25 to 33½ per cent. He reports also that they have had several serious accidents caused by blowouts of cotton cord tires on front wheels.

BURLINGTON TRANSPORTATION CO.

I. B. James, President of Burlington Transportation Company, Chicago, operating between Chicago, Illinois and the west coast reports that his company has two mileage contracts,—one east of the Missouri River and one west. On the mileage contract tires on their operations east of the river, during the period April 1942 to March, 1943, inclusive, 22 size 11.00/19 cotton cord tires removed from service averaged 45,720 miles. 158 rayon cord tires removed from service averaged 54,480 miles. During the same period 89 size 11.00/20 and 11.00/22 cotton cord tires removed from service averaged 40,549 miles; 267 rayon cord tires removed from service averaged 47,295 miles.

No cotton cord tires were used on the operations included in the mileage contract west of the river. It is also pointed out that size 11.00/19 were not operated west of the river. On this contract during the period March 1942 to February 1943, inclusive, 276 size 11.00/20 and 11.00/22 rayon cord tires removed from service averaged 71,532 miles. Mr. James points out that had their operation been entirely on cotton cord tires they would have required 30 additional size 11.00/19 tires, an increase of 6.75 percent, and an additional 255 tires, size 11.00/20 and 11.00/22, an increase of 40.35 percent. He says that there have been no accidents to date on account of blow-outs. Mr. James also calls attention to the fact that the above figures do not include retreads or recaps.

Trusting that the foregoing information will be of service to you in the preparation of your report which you expect to make to Mr. Nelson and that if there is any additional information that we may be able to obtain for you at any time you will not hesitate to call on us, I am,

Cordially yours,

(Signed) A. W. KOEHLER,
Secretary-Manager.

EXHIBIT D

THE GOODYEAR TIRE & RUBBER COMPANY,
Akron, Ohio, August 24, 1943.

Mr. H. LEROY WHITNEY,
Technical Consultant to Chairman, War Production Board,
4513 Social Security Building, Washington, D. C.

DEAR SIR: We have received a telegram from P. W. Pierson, Public Service Coordinated Transport, Newark, N. J., in which he asks that we send to you comparative performance information on rayon and cotton cord tires as used on bus operations.

Our experience with rayon tires has been far more satisfactory than with cotton tires in practically all ways. The ultimate mileage has been improved, the service difficulties have been reduced, and, from an economic standpoint, the use of rayon has far more than justified itself.

For bus operations rayon has been used in a much greater percentage than cotton. However, for one reason or another we have used a considerable amount of cotton and have been able to gather informative data.

The information we give you below covers operations where we have used both cotton and rayon tires and is based on our experience on fifteen different operations. The figures which follow are calculated on a basis of per 1,000,000 bus miles and covers the amount of extra time and material necessary to operate cotton instead of rayon tires:

Average percent additional tire units using cotton-----	30%
Lbs. Rubber increase (AA construction) using cotton in place of rayon----	2, 240
Percent increase Rubber used with cotton-----	38%
Percent increase weight of cotton fabric over rayon fabric-----	66%
Percent increased man-hours consumption of manufacturing cotton tires over rayon-----	30%

[NOTE: This covers rubber mill hours only and does not take into consideration any difference in the man-hours required between cotton and rayon in the fabric room.]

Percent increased man-hours servicing the additional cotton tires required. 30%

The above does not take into consideration any difference in the retreaded life or suitability for retreading of tires made of cotton or rayon. It has been our experience that tires made with rayon are more adaptable to one or more re-cappings than similar tires made of cotton fabric.

You will note that all of the above information is based on past experience with all rubber tires. From data already submitted to you concerning the use of synthetic rubber with cotton and rayon fabric you can see that there is a considerable likelihood that the difference shown between cotton and rayon tires on bus operations will be considerably increased.

We hope that the above information will be of some value to you and will supplement the information you already have on similar subjects.

Yours very truly,

THE GOODYEAR TIRE & RUBBER COMPANY,
(Signed) W. E. SHIVELY, *Mgr., Tire Design.*

EXHIBIT E

NOTE

AA-1st quality rubber carcass and tread
S5-100% GR-S synthetic tread and rubber carcass
=50% natural rubber and 50% synthetic GR-S
S6-70% GR-S and 30% Natural Gum Rubber
S4-90= GR-S and 10% Natural Gum Rubber

THE TIRE AND RIM ASSOCIATION, INCORPORATED
2001 First-Central Tower

AKRON, OHIO, September 1, 1943.

Mr. H. LeROY WHITNEY,

*Technical Consultant to Chairman, War Production Board,
4513 Social Security Bldg., Washington, D. C.*

DEAR SIR: This letter confirms the telephone report submitted to you today, which was as follows:

1. In addition to data already supplied with reference to the need for rayon in synthetic tires, we submit the following in connection with intercity truck and bus tires S5 and S6 made of cotton and rayon.

2. We have the following results from road tests run on Industry and Government Synthetic test fleets, operated under conditions simulating actual field service at 4,500 pounds load, which is 30% over T & R recommended load, and 40 to 45 miles per hour speed.

3. These tests on 9.00-20 Highway type cover 15 manufacturers and include results on over 250 tires at this time. This representative size gives average results.

4. Considering all tires in the test and using AA rubber-rayon tires as an index of 100:

AA rubber-cotton tires will be.....	72
S5 cotton tires will be.....	13
S3 rayon tires will be.....	25
S6 cotton tires will be.....	6

5. Additional tests were run at Tire & Rim Association recommended loads, and an improvement in service life of three times was found on S-6 cotton and S-6 rayon. This is because internally generated heat due to tire overloading has a decided effect on tread cracking and carcass blowouts.

6. The index figures just mentioned are for the average of all tests, but we feel that for further analysis we should assume that the industry can equal the best tires in these tests. On this basis we are if anything favoring cotton or giving it the highest possible rating in comparison to rayon. On this basis of analysis, the ratings are:

AA rubber-rayon tires have an index of.....	100
AA rubber-cotton tires have an index of.....	72
S5 cotton tires have an index of.....	25
S6 rayon tires have an index of.....	45
S6 cotton tires have an index of.....	15

7. The following table will illustrate the number of tires of the various constructions to give the same service that 100 AA rayon-rubber tires would give on the most favorable basis:

AA rayon.....	100
AA cotton.....	139
S5 cotton.....	400
S6 rayon.....	220
S6 cotton.....	666

8. These radical increases would involve enormous manpower and equipment increases to supply the necessary tires, even if the production rate of rubber and synthetic were the same. The average industry estimate is that the production of synthetic tires requires a conservative 20% increase in manpower and equipment.

9. The following gives an estimate of the ratio of manpower and equipment required to produce various types listed as compared to rubber-rayon:

AA rayon.....	1.0
AA cotton.....	1.39
S5 cotton.....	4.8
S6 rayon.....	2.6
S6 cotton.....	8.0

10. For economy of manpower and materials as well as tire performance, it is obvious that for inter-city truck and bus service, no synthetic tires should be considered unless they are made of rayon. Further, anything approaching satisfactory performance will necessitate reduced loads and speeds.

11. With present overloaded conditions on intercity buses, any reduction in quality from the present rubber-rayon tires will result in premature tire failures, serious accidents, and loss of life. Obviously tires made of cotton with either natural rubber or synthetic are inadequate for this purpose.

Respectfully submitted.

THE FIRESTONE TIRE & RUBBER COMPANY,
THE B. F. GOODRICH COMPANY,
THE GOODYEAR TIRE & RUBBER COMPANY,
UNITED STATES RUBBER COMPANY.

EXHIBIT F

From: John V. Lawrence, American Trucking Assns.
To: H. LeRoy Whitney, War Production Board.

It has not been possible to secure from members of the trucking industry, precise data as to relative mileages secured from tires made with rayon fabric as compared with those made from cotton fabric. Chief reason seems to be that once an operator has determined to use one fabric or the other he tends to concentrate his purchases on the type selected and not to buy tires of both kinds.

It is possible, however, to present the viewpoint of a selected list of representative operators, which gives the underlying reasons why one fabric or the other was selected. Comment of this kind follows:

Operator A. A large southern line, with 1,200 rolling wheels, states that he cannot compare cotton with rayon because for the past three years he has concentrated on rayon. He believes that for a long-haul operation where a substantial heat factor is developed, that rayon is definitely superior to cotton. Prior to using rayon he did not attempt to recap his tires except sporadically—never getting more than two recaps. With the advent of rayon he has recapped tires as many as four times and even before Pearl Harbor had adopted recapping as a regular procedure.

Operator B. A large eastern states-southern operator, now uses both cotton and rayon but only because of inability to concentrate on rayon due to the tire situation. Tries to hold certificates until rayon tires are available but not always succeeds, hence buys some cottons. Says he does not question superiority of rayon based on experience but has no statistics which he would consider suitable for formal use.

Operator C. A mid-western operator, one of the most careful on tire use in the industry, had loading charts, for example, to govern load imposed over each tire. Says "Generally our experience is that the rayon tire gives us from 10 to 12 percent additional mileage." Says that the majority of rayons can be recapped twice and that a "small percent" of cottons will take two recaps. Makes this interesting observation: "The big factor in favor of the rayon, and it might be said that we prefer it as a matter of economy as well as of rubber conservation, is that through heat dissipation we are able to avoid premature failures which frequently occur in the case of cotton cord. In making this statement, I refer to the use of tires in highway operation where greater speeds and greater loads make the performance factor more difficult than in normal city operation at slow speeds and with much lighter loads."

Operator D. A southwestern operator. Believes rayon tires now in service are delivering better mileage than cotton but due to short period in which rayons have been used does not have precise figures.

Operator E. One of the larger Mid-West operators. This operator states that in practice he regards a rayon tire as being equally efficient with the next larger size cotton tire—a big factor in his territory where trucks and trailers are inclined to be under-tired. Size for size he thinks rayon will give close to doubled mileage in his operation.

Operator F. A large Eastern operator. This man is a close observer of tire wear, being presently engaged in making thermo-coupling heat tests on his tires on the Pennsylvania Turnpike. Has started using rayons only recently. He says "Record on rayons not too conclusive. First figures indicate them twenty thousand miles better on fast sustained operations." Twenty thousand miles better is equivalent to about 33% better than cotton, considering 60,000 miles as average.

Operator G. Southern California operator of many units. He indicates that rayon tires give 20% more mileage than cotton and give two recaps for one against cotton.

Operator H. This eastern operator pays great attention to tires. He furnishes these comparative figures: pre-war cotton tires, average 63,904 miles per tire—pre-war rayons average 66,108 miles per tire. War tires, cotton fabric average 34,490 miles per tire—rayon average 37,391 miles per tire. This operator points out that recapping experience with cotton tires has been very bad. Records reveal that out of 27 cotton 9.00 x 20 tires which were recapped, the average mileage delivered was 11,353, average cost per recap, \$21.50. He adds: "In summary, we would like to point out that the rayon fabric unquestionably delivers more mileage than the cotton fabric in both pre-war and war tires."

Operator I. A West Coast operator. While expressing inability to compare rayon with cotton fabric this operator indicates considerable difficulty with cross breaks or cracks in the cord in the breaker strip—a difficulty also encountered with cotton. This operator however, feels that cotton built tires bond more easily and that cotton section tires last longer than rayon for this reason. This operator, incidently, is not satisfied with the performance of either cotton or rayon tires.

EXHIBIT J

SUMMARY OF ARMY TESTS ON TIRES FOR TRUCKS AND COMBAT EQUIPMENT 7.50-20

PROBLEM

When the supply of natural rubber was shut off, the Army and Nation were faced with the problem of building tires from synthetic rubber. The Army had a dual problem to face in that tires must be suitable for—

(a) long distance, comparatively high speed convoy work, where trucks operate upwards of twenty hours per day, such as has been or will be experienced in supplying the British Eighth and American Seventh Armies in Africa and the armies in China over the Burma Road;

(b) for truck and guns operating in the combat area, usually at comparatively slow speeds but across any type of terrain, mostly unknown and in front areas, where major movements are made at night, under "black-out" conditions.

DESCRIPTION OF TIRE TEST COURSES

To solve this problem, the Army laid out two courses for testing tires:

(a) The Normoyle Course near San Antonio, Texas, which simulates, as nearly as possible, conditions encountered in combat areas. It is 70% pavement, 15% gravel, and 15% maneuver area. Average speed of test convoys was 45 MPH on pavement, 35 MPH on gravel, and from 3 to 18 MPH over maneuver area. Approximately 50 trucks are operating on this course, 24 hours a day.

(b) Desert Course near Camp Seeley, El Centro, California, which simulates, as nearly as possible, conditions on long convoy routes in hot climates, such as in Africa, where 2½-ton trucks, which composed the principal part of these convoys, had operated at speeds from 45 to 55 MPH, and the load was almost anything they could get aboard, in some cases up to 200% of rated capacity. Most trucks on the African convoys operated up to 22 hours per day. The lay-out of the Desert Course is 90% pavement and 10% gravel. Average speed of test convoys was 45 MPH on pavement, 25 to 35 MPH on gravel. The load per tire (size 7.50-20) was 2,700 pounds, which is approximately 20% overload. On this course 30 to 35 trucks are operating 24 hours a day.

ARMY-INDUSTRY COOPERATION IN TESTS

Tests were conducted on a cooperative basis with industry, because industry had had vastly more experience than the Army in conducting tests on tires. The average number of companies participating in early tests was six; in recent tests as many as ten companies, large and small, have participated. Appraisals of the fairness of the testing courses were made by the Office of the Rubber Director and the tire companies.

TYPES OF FAILURES

Types of failures in tires (which had been made from natural gum rubber with cotton cords) returned from theatres of operation, are the same as those that developed on the test courses and confirm the findings arrived at from the tests.

ELAPSED TIME OF TESTS

Because of the large number of trucks used and long hours of operation, answers on different types of construction are obtained on the Normoyle and Desert Courses in the short time of a month to six weeks.

SUPPLEMENTARY TESTS

Supplementary tests are conducted—

(a) By Army on a larger volume scale by about ten Army Service Boards. At Camp Shilo, Manitoba, for instance, where temperatures are encountered down to minus 50° Fahrenheit, tests are conducted to find out what happens when operating in extreme cold with ice and snow. At Camp Shilo results are obtained fairly quickly. The rest of the Service Boards, using training Army units, take much longer and the unit may go overseas before conclusive results are obtained. Supplementary tests are also conducted at Aberdeen Proving Grounds where the overflow from Normoyle and Desert Testing Courses is taken.

(b) By Rubber Director and Industry: Two additional test fleets are also operated, one by the Office of the Rubber Director, and one by the Industry Synthetic Tire Committee Test Fleet. Operating records for the past several years have also been obtained from the National Association of Motor Bus Operators and the American Trucking Association.

ARRANGEMENT OF TIRES ON TRUCKS DURING ARMY TESTS

Most of the Army tests have been conducted on trucks with single front wheels with the front drive disengaged. The two rear axles are equipped with two tires on each side at the Normoyle Course. Five tires of one make are put on truck A; after a certain number of miles these tires are transferred to the left side of truck B. "Control tires" made from natural gum rubber with cotton cords are

applied and moved from truck to truck in exactly the same manner as the tires being tested; thus an accurate comparison is obtained between the tires using crude rubber and tires made from synthetic rubber with either cotton or rayon cords. Position of trucks in test convoys is changed from time to time; thus by changing tires from truck to truck and changing trucks to different positions in convoy, all variables, whether human or otherwise, are as nearly as possible equalized.

DATES, OBSERVATIONS, AND FINDINGS OF TESTS

Army testing was started at the Desert Course, Camp Seeley, El Centro, California, in May 1942. The first test was to find out the wearing properties of synthetic rubber. Accordingly, the treads only were of synthetic rubber, the carcass being made from natural crude rubber.

Findings: treads chipped and cracked very badly.

Result of findings: chipping and cracking of treads has now been corrected.

Desert and Normoyle Courses, Summer 1942.—During the summer of 1942, tests were conducted at both courses to further develop the properties of tires made with varying amounts of GR-S synthetic rubber. Four companies submitted tires for these tests. Tires were made from both 90% and 100% GR-S synthetic rubber.

Findings: Tread failures occurred at extremely low mileages from separation caused by excessive heat generated by synthetic rubber.

Conclusion: These tests proved that a tremendous amount of development work must be undertaken if satisfactory synthetic tires are to be produced.

ORIGINAL 100% & 90% SYNTHETIC TESTS (S-3 & S-4)—7.50-20 SEPT. & OCT. 1942

A. Desert Test Command.—Both the Goodrich 100% and 90% synthetic tread and carcass, using a standard cotton cord, gave a very fine performance, but Goodrich has never been able to duplicate these tires. The only tires made with rayon cord, submitted for this test, were made by Goodyear and were made from 100% synthetic rubber; average mileage for these tires was 8,392 vs. 2,756 for Goodyear 100% synthetic with cotton cords. Five out of five Goodyear cotton cord tires failed from heat and separation vs. one out of every five for rayon.

B. Normoyle Test Fleet.—Findings: Failure same kind as on Desert Test, except for bruises. Average mileage of Goodyear 100% synthetic rayon cords, 9,188 miles, vs., average mileage of Goodyear 100% synthetic standard cotton cords, 4,485 miles.

Conclusion: The over-all superiority of Goodyear 100% synthetic with rayon cords indicates that this type of tire can be made to give a satisfactory performance.

CORD FABRIC TESTS—7.50-20—NORMOYLE-NATURAL RUBBER & 100% SYNTHETIC

A. Normoyle Test Fleet.—(1) *Natural Rubber Tires (N-32) Oct.-Dec. 1942.*—Purpose of Test: Purpose of test was to determine whether the low gauge cotton and rayon fabric which would conserve rubber would be equal to standard gauge cotton; hence, only natural rubber tires were used in this test.

Findings: Standard cotton 4% better on average. On bruise failures, rayon 25% better, based upon average miles run.

Conclusion: In resisting the typical Army tire failure, namely, bruise breaks, rayon was superior.

B. Normoyle Test Fleet—(N-34)—(2) Synthetic Rubber Tires—100% Synthetic Treat & Carcass Dec. 1942-Jan. 1943.—Object of Test: To compare qualities of 100% synthetic rubber tires made with both cotton and rayon cord fabric.

Findings: The outstanding findings from this test were that:

(a) Synthetic-rubber tires, even at the comparatively low December and January temperatures, made with rayon cord fabric were 65% better than tires made with cotton cord fabric, in general service, and that the rayon cord tires were outstandingly better in their resistance to bruises.

(b) The Goodrich tires with cotton cords made from their long-staple cotton, which is not available to the industry in sufficient quantity, were better than some of the rayon cord tires made by other companies. However, a study of averages of all tests of Goodrich tires shows that their rayon cords are superior to their cotton cord tires.

C. Desert Test Command—(D-50).

SYNTHETIC RUBBER TIRES—100% SYNTHETIC TREAD & CARCASS—OCT.-DEC. 1942

Findings: A study of averages of all tires submitted shows that rayon cord tires are 70% better than cotton cord tires.

EXPERIMENTAL SYNTHETIC CONSTRUCTIONS—7.50-20—JAN.-MAR. 1943

All tire makers invited to submit tires for tests. Six companies participated. *A. Desert Test Command—(D-58).*—Findings: Rayon cords 70% better than cotton cords based upon study of all averages.

B. Normoyle Test Fleet (N-85).—Findings: Rayon 58% better based upon study of all averages.

Conclusions: Tire makers producing very much better tires using synthetic rubber and rayon cord fabric, and even in this intermediate size rayon proves to be outstandingly better than cotton.

90%—100% SPECIAL GROUP OF SYNTHETIC TESTS—7.50-20 NORMOYLE & DESERT 115, 114—APRIL-MAY 1943

N. & D. 115: These tests were on Armstrong tires only, designed for low heat build-up and made with both cotton and rayon cord fabric.

Desert Findings: Either the tread came off or the tires chipped and cracked so badly they had to be removed before there were any blow-outs.

Result of Findings: This condition has now been corrected by Armstrong. Normoyle Findings: Rayon cord tires about 300% better than cotton cords. Low gauge cotton seems to be out of the picture.

N. & D. 114: These tests were on tires of early construction, very susceptible to separation and heat failures. No other conclusions reached.

70% SYNTHETIC TESTS (S-6)—7.50-20—NORMOYLE & DESERT—125

These tests were conducted on tires made of 70% synthetic rubber and rayon cord fabric only. Five companies participated. First rayon cords were submitted by Mansfield. All results uniformly excellent.

A. Desert Test Command (D-125) April-May 1943.—Only seven failures out of 33 tires in 13,836 miles. Average of failures, 12,239 miles.

B. Normoyle Test Fleet (N-125) March-April 1943.—Average of all rayon cord tires 9,721 miles. Average of natural rubber control tires with cotton cords 7,861 miles.

Conclusions: Tires of this construction an excellent product for any service.

90% SYNTHETIC TESTS (S4)—7.50-20—NORMOYLE & DESERT—127

A. Desert Test Command (D-127) April-May 1943.—All tires of rayon cord fabric. Six companies participated. Average of all rayon tires 11,222 miles which is good enough. Average natural rubber cotton cord controls, 15,000 miles.

B. Normoyle Test Fleet (N-127) March-May 1943.—Average all rayon 9,296 miles which is very good. Average natural rubber cotton cord controls 7,835 miles.

Conclusions: 90% synthetic tire almost as good as 70% synthetic and will become standard construction.

70% SYNTHETIC—INCREASED BRUISE RESISTANCE—7.50-20

All cotton cords and 70% synthetic rubber.

A. Desert Test Command (D-136) May-June 1943.—8 ply, 8 ply with 2 extra cap plies, and 10 ply.

Findings: All three constructions approximately equal.

B. Normoyle Test Fleet (N-136) April-June 1943.—Findings:

Std. 8 ply-----	4,209 miles average
2 extra cap plies-----	7,322 miles average
10 ply-----	6,689 miles average
Natural Rubber Controls-----	6,726 miles average

Conclusion: 70% synthetic tires could be produced and with 2 extra cap plies, using 10% more cotton were satisfactory for military purposes. Now (August 1943) all companies are producing these tires in sizes 7.50-20 and 9.00-16.

90% SYNTHETIC—INCREASE BRUISE RESISTANCE—7.50-20

The problem then facing the Army was to produce 90% synthetic tires in 4th quarter of 1943.

A. *Desert Test Command (D-140) May-June 1943.*—All Tires 90% synthetic.

Types: Std. 8 ply cotton, 8 ply cotton + 2 extra cap plies, 10 ply cotton, 8 ply rayon.

Six companies participated.

Findings:

Std. 8 ply, cotton	6,556 miles average
Std. 8 ply + 2 cap plies, cotton	5,913 miles average
10 ply, cotton	8,104 miles average
8 ply, rayon	8,011 miles average

Note: Mansfield tires brought down average of other makes of rayon.

Conclusion: 10-ply cotton or 8-ply rayon both satisfactory considering heat.

B. *Normoyle Test Fleet (N-140) May-June 1943.*—Findings:

Std. 8 ply, cotton	4,437 miles average
Std. 8 ply, 2 cap plies cotton	5,026 miles average
10 ply, cotton	6,509 miles average
8 ply, rayon	6,785 miles average
Std. natural rubber controls	7,756 miles average

On front wheel service, which is the most severe, because of heavier load on front axle than on rear, rayon much superior.

Conclusion: 8 ply rayon and 10 ply cotton good enough to go into production but will endeavor to improve 8 ply cotton with 2 extra cap plies, in order to reduce man-hours and material needed for 10 full plies. Tests now running.

EXHIBIT K

DETAILED ANALYSIS OF 1944 RAYON CORD REQUIREMENTS

The Office of the Rubber Director advised our Textile Division in May that about 206,464,000 pounds of high tenacity rayon cord would be needed in 1944 to produce the fuel cells and the tires required next year by the various claimant agencies. This cord requirement had been computed by ORD about April 1st and included, in addition to the cord needed for fuel cells, the quantities required to manufacture aircraft tires and some 13,600,000 medium- and large-size tires—7.00-20/10 ply and up for trucks, buses, and military vehicles.

Military and other programs have changed since early this year. Accordingly, we asked each claimant agency, except Maritime, to review and, if possible, to substantiate the necessity for the quantity of rayon cord that ORD had previously requested in behalf of their programs. The significant facts having a bearing on the requirements of each claimant agency follow, from which it will be noted that the total 1944 rayon cord requirements as stated earlier by ORD are substantiated:

1. ARMY REQUIREMENTS

In ORD's April 1 estimate, the Army Service Forces' requirements in 1944 amounted to 63,432,000 pounds of rayon cord. Included in the rayon cord category were a large number of tires, size 7.50-20/8 ply and 9.00-16/8 ply, that Army desired to be manufactured with rayon cord but for which cotton cord would be "adequate." The rayon cord requirement for these tires was estimated by ORD at 34,867,000 pounds. (Some of the other claimant agencies had also submitted requirements for tires of these sizes. The rayon cord required by all claimants for tires in which cotton cord would be adequate was about 42,000,000 pounds.)

ASF computes the number of tires required for original equipment on all vehicles which it buys, whether purchased for Army, Navy, or International Aid, but receives from the Technical Service of the Army their estimates of the number of replacement tires needed for the vehicles assigned or expected to be assigned to such service. The tire replacement needs of Navy are submitted to ORD separately by Navy; replacement tires for International Aid items are submitted separately by Lend-Lease.

ASF frankly stated that calculation of replacement needs is extremely difficult because actual operating experience is limited and probable operating conditions are not definitely known. Reports now coming in from foreign theaters indicate that overseas *replacement* demand may have been underestimated.

The official ASF 1944 tire requirements had been based on the Army Supply Program dated February 25, 1943. In the meantime, a new Army Supply Program, dated August 1, 1943, was formulated for 1943 and 1944 procurement planning. The new program was larger than the February ASP and shifted somewhat the emphasis to the procurement of the heavier trucks and trailers, which require more and larger size tires.

Another factor had also changed the rayon cord requirements. The military had redetermined its policies as to use of combat tires on certain types of vehicles; for instance, combat tires were no longer to be used on certain guns.

All these factors—the new Army Supply program, possible changes in replacement needs, and the new policies with respect to combat tire requirements—caused ASF on August 14 to request the chiefs of all technical services to submit new estimates of 1944 tire requirements. ASF expects the results of this restudy of tire needs to be completed by the latter part of October. However, Mr. S. P. Thacher, Chief, Rubber Branch, Production Division, Army Service Forces, stated before our Non-Industrial Facilities Committee that “we expect that they (the rayon cord requirements) will increase anywhere from 8 to 10 million pounds of rayon” over the 61 or 62 million pound forecast previously submitted.

We made a test check of the probable effect of the change in the Army motor transport program on requirements, for both tires and the rayon cord needed in their manufacture. This check fairly closely confirmed Mr. Thacher’s “rough analysis” as to the number of additional tires required for original equipment and also the rayon cord needed therefor. We had no facts on which we could independently estimate replacement needs. We recognized, however, that tires were being requested for a truly tremendous military motor transport program.

Despite the magnitude of these programs, we did not, for this purpose, question their validity for four reasons:

1. Time did not permit a reference of the new motor transport program to the highest military authorities for their broad review of the programs worked up by the various services.
2. The shift in emphasis to heavier type vehicles suggested that motor transport needs of a type not heretofore fully planned for had materialized, perhaps as a result of changes in the course of the war.
3. We envisioned the need for tremendous trucking operations abroad, both in support of military operations and for relief and rehabilitation work.
4. Internal checks suggested that the new programs were within gun-shot of being feasible.

2. NAVY REQUIREMENTS

In ORD’s April 1 estimate, Navy’s 1944 requirements had been presented as requiring 3,991,000 pounds of rayon cord for tires (other than combat). Tires to be made of cotton construction will require 6,780,700 pounds of cotton cord.

Earlier this year the Navy had transmitted to ORD its estimated tire (and rayon cord) requirements for the first half of 1944, which O. R. D. apparently doubled in arriving at a total 1944 estimate. On May 14, Admiral T. J. Keleher confirmed to ORD the above high tenacity rayon cord requirement, and stated that “in order to assure Navy’s obtaining their requirement, the Navy concurs in the expansion of facilities for the provision of sufficient high tenacity rayon to take care of stated requirements” (206,000,000 pounds).

Mr. Arthur M. Hill, Navy Rubber Director, after reviewing the estimates reported on September 1 as follows:

“These requirement figures are the best that are available at the present time. Though compiled in March 1943, we feel that though the quantities might be different on the several sizes listed the total is accurate enough for your purpose. When these figures were prepared care was taken against duplication. The ASU reported on all airplane tires, and no figures were included in Navy tire requirements that were under the cognizance of Army Ordnance. These requirement figures included both original equipment and replacement requirements. However, we cannot give the percentages of each at this time. We will probably be asked within the next several months by the Office of the Rubber

Director to prepare new figures on tire requirements for 1944 and will see that these figures are available to you. The Navy feels that the use of rayon is essential, especially in synthetic tire construction. Road tests conducted by the Army have shown that for heat and impact resistance and weight savings rayon is greatly superior to cotton cord."

3. MARITIME COMMISSION REQUIREMENTS

Stated requirements nominal—not contacted.

4. LEND-LEASE REQUIREMENTS

Dr. Francis E. McIntyre, Program Officer, Requirements and Control Division, OLLA, stated that the Lend-Lease 1944 program as reported to us by ORD had not been fully defined. British Empire and Russian tire needs would, he indicated, constitute the principal part of any OLLA tire program.

British tire requirements are 85 percent direct military. The balance provides essential transportation services for the maintenance of their military machine. The entire British requirements are for replacement of tires on combat vehicles and trucks actually in use. There are no lend-lease requirements for tires to be exported on new vehicles; such export is made only on the approval and under the programming of the War Department. The replacement schedule on the basis of which the British request is made provides only one set per vehicle for the entire year which is a minimal rate considering the terrain.

Russian tire requirements from the United States are entirely in military and truck sizes and, as is the case with substantially all of the British program, constitute a direct and essential contribution by the United States to the operations in the immediate theaters of war.

5. CANADIAN REQUIREMENTS

The Canadians earlier this year advised ARD that they would require 19,200,000 pounds of high tenacity rayon cord in 1944 for the tire and fuel cell manufacturing program to be carried on in the Dominion next year. Of this amount, 1,000,000 pounds of rayon cord was for aircraft fuel cells and bulletproof hose, and the remainder for tires. Tires of various sizes, to be made of cotton cord, will require an additional 11,365,000 pounds of cotton fabric.

This tire program is, according to ORD, about all that the Canadian tire manufacturing facilities can produce next year. Mr. Martin, Deputy Rubber Controller of the Department of Munitions and Supply, Ottawa, had advised ORD on June 21 that "the need for rayon in Armed Service tires produced in Canada is increased because Canadian war trucks were designed for single tires. The load factor has made it necessary to use multi-ply tires. The large percentage of Armed Service tires is of 10-ply and up construction. The most recent check shows 93.5% of the war tire rubber, on an annual basis, going into tires of 10-ply and up construction. This makes it imperative that Canada's position in this regard be kept in mind in studying rayon preferences when the tires are made of synthetic rubber." Teletype confirmation of the requirements was received on September 8th with the advice that "possibly 6,000,000 pounds would be produced in Canada and balance to come from United States except some small portion which might come from United Kingdom, but of their ability to supply Martin is in doubt."

ORD representatives who were in Canada about a week earlier had been given to understand that a slight reduction in Canada's 1944 rayon cord needs might materialize—a new figure of 16/17,000,000 pounds required was mentioned.

6. OFFICE OF ECONOMIC WARFARE REQUIREMENTS

On August 31, Mr. Carl A. Rich, Chief, Rubber Division, OEW, estimated their 1944 cord requirements (for trucks and passenger cars) at 6,180,000 pounds, without submitting a breakdown between rayon and cotton cord. A considerable part of the cord for truck tires would presumably be high tenacity rayon. The requirements as stated would appear to be broad estimates and intended to cover most, if not all, of the tires required for the tire-borne transportation systems of Central and South America, where serious truck tire shortages have been reported in the press.

7. CIVILIAN REQUIREMENTS

ORD had independently estimated the civilian 1944 requirements of truck and bus tires at 3,392,846, for which 43,767,090 pounds of rayon cord would be required. This does not include 33,187,728 tires to be made of cotton cord, for which 152,715,744 pounds of cotton cord would be needed. ODT reported that it had not submitted tire and/or cord requirements forecasts to ORD, that it did not have, but was preparing, estimates of 1944 tire needs and that it was not in a position to advise us as to whether rayon cord was essential in tires of certain sizes or for certain uses. ODT took the position that if technical and operating data indicated that tires of rayon cord construction were superior to those made of cotton cord, it would support the use of rayon fabric. A statement of ODT's position was requested, but that agency preferred, until further facts could be developed, not to take a position one way or the other.

ORD's 1944 tire production program for civilian trucks, busses, trailers, etc., was estimated in April substantially as follows:

	Units	Percent of total
Tires of cotton cord construction (Approx.).....	3, 187, 728	48
Tires of rayon cord construction:		
Original equipment..... 143, 246		
Replacements..... 3, 249, 600	3, 392, 846	52
Total.....	6, 580, 574	100

This program may have included some tires for export to Central and South America.

This tire-production program represents, on the average, 1.3 tires for each of the 5,000,000 motor trucks, freight trailers, and busses registered in the United States. The average truck in this country has about 7.6 wheels on the ground; the average bus probably not over 6 wheels. The total truck- and bus-tire program would, therefore, permit on the average about a 20% tire replacement in 1944.

In the 5-year period ended December 31, 1940, we produced an average of 7,000,000 truck and bus tires annually, of which about 4,000,000 were replacements, about 500,000 were exported and the balance of 2,500,000 were for original equipment on the trucks, busses, and trailers then produced for civilians. We were, therefore, putting almost 7,000,000 new tires annually on our domestic trucks and busses before the war started—and the trend was upward in keeping with the increase that took place in truck and bus registrations. Since 1940, total production of truck and bus tires has substantially increased over the pre-war levels, but an ever-increasing and very substantial proportion of these tires has gone to equip the hundreds of thousands of vehicles purchased by the military and by our Allies. For instance, in 1943 only about 5,600,000 out of the 15,000,000 truck and bus tires scheduled for production are expected to be available for our domestic transportation system. The ORD 1944 civilian program includes 6,580,000 bus and truck tires. The historical record of total shipments, which closely parallel production, is of interest:

Number of Truck & Bus Tires Shipped by Manufacturers

Year	Original equipment	Replacement	Export	Total
1936.....	2, 650, 614	3, 740, 677	335, 365	6, 726, 656
1937.....	2, 297, 179	3, 708, 264	550, 187	6, 555, 630
1938.....	1, 429, 959	3, 463, 822	468, 756	5, 362, 537
1939.....	2, 721, 009	4, 557, 224	671, 973	7, 950, 206
1940.....	2, 958, 461	4, 447, 765	764, 753	8, 170, 979
1941.....	5, 339, 878	5, 841, 026	904, 725	12, 085, 629
1942.....	Break-down not available			11, 984, 275
1943.....	Break-down not available			15, 033, 596

¹ Estimate.

Tremendous increases in tire-borne traffic movement have taken place since the start of the war. While this fact is generally recognized, a few statistics may highlight his development:

(a) In 1942 the inter-city busses—about 21,500—traveled about 25% more miles than in 1941 and carried over 75% more passengers. In the South and West the percentage increases were sharply higher than the national averages. These busses carried about 692 million passengers in 1942; rail coach passengers, including commutation, numbered only 624 million. Despite the tremendous expansion in rail coach passenger traffic during the last part of 1942, bus travel was increasing at an even more rapid rate.

(b) City and suburban busses—upwards of 36,000—were also carrying more passengers—between 1939 and 1941 the increase was almost 30%.

(c) The 45,000 school busses were carrying more passengers—10% more in 1941 than in 1939.

(d) In June 1943, inter-city trucks were carrying 95% more freight than in the average month in the 1938-40 base period. ODT estimated that trucks will have to carry 15% more freight during the last half of 1943 than during July-December 1942.

(e) Army freight moved by motor in this country has increased almost 15-fold since Pearl Harbor, and now amounts to many hundreds of thousands of tons per month.

Production of trucks, trailers, and busses for civilian usage has been nominal in the past several years, whereas prior to the war the 5-year average output was over 700,000 units. At the present time the magnitude of the military's 1944 motor-vehicle program may preclude any important truck production for civilians next year. In 1944, therefore, the bulk of the truck and bus tires for civilians may well be replacements for use on vehicles that were manufactured a number of years ago; a large original installation demand will not materialize until civilian truck and bus production can be resumed in larger volume.

The total inventory of civilian truck and bus tires not in use on June 30, 1943, is estimated by ORD at 1,098,345 units, exclusive of that portion of truck and bus tires held by motor vehicle and tire manufacturers for *both* military and civilian demands. Other than the tires on vehicles, our total tire inventory consisted of between one and certainly not over two tires per truck and bus in this country—and that took into account 217,000 used and recapped tires. Obviously the Civilian truck tire position is not comfortable.

8. CORD REQUIRED IN THE PRODUCTION "PIPE LINE"

No provision had been made in the forecast for the quantity of rayon yarn and cord required to make the production process effective, i. e., yarn or fabric in the production "pipe line." Our Textile Division estimated that an amount equal to at least one month's yarn output would constantly be in the production pipe line; ORD suggested that two months' output would be a better estimate, citing their current experience on cotton cord, where total stocks equal to 43 days' consumption were not sufficient to avoid the necessity of partially stopping production at two plants until cord could be re-distributed. With rayon cord production by the end of 1944 at, say, a 180,000 000-pound annual rate, 15/20 000,000 pounds might well be in the pipe line. This would be at least 10/15,000,000 pounds more than the current pipe-line stocks and must come out of 1944 production.

Except in the case of the Aircraft Scheduling Unit, which included a 10% provision in its rayon-cord requirements figures for manufacturing loss, the stated rayon-cord requirements of the various claimant agencies were calculated on the basis of the *net* contained cord content of tires of various types. The content figures were obtained by ORD from the large-volume tire manufacturers. We are advised that provision perhaps should have been made—but was not—for a 1 to 2% loss in cord at the tire plants. There is also a manufacturing loss at the cord plants where yarn is converted into fabric.

9. SUMMARY

The *increases* in requirements over those submitted earlier this year, mentioned above, would bring the rayon-cord requirement beyond the 206,000,000-pound figure. The earlier ORD estimates of the requirement have been substantiated.

EXHIBIT N

MEMORANDUM

SEPTEMBER 10, 1943.

To: Mr. Frank L. Walton, Director, Textile, Clothing, and Leather Division.
 From: Thomas M. Bancroft, Chief, Cotton Branch.
 Subject: Cotton Tire Cord.

Mr. Stanley Osborne of the Office of the Rubber Director, in his letter to you of August 31 states the most recent cotton tire cord requirements which are based on rayon tire cord availability as given to him by Mr. Dalton on August 25.

Current cotton tire cord production is at the rate of 121 million pounds per half year. At a meeting of all cotton tire cord producers held in Washington on August 18 it was developed that if adequate labor were made available to those plants which were operating at less than 144 hours per week, 16,500,000 pounds more cotton tire cord could be produced per half year. At this same meeting a task committee was appointed to explore the possibilities of increased production through standardization of cord construction. The results of their findings were transmitted by me to Mr. L. E. Spencer of the Office of the Rubber Director on September 8, 1943. If adopted, this standardization program would increase productivity of present facilities by 15 million pounds each half year if operated at present schedules.

Below is tabulated the cotton tire cord production of present facilities through 1944 by six-month periods. Against these possible production figures I place the cotton tire cord requirements as stated in Mr. Osborne's letter mentioned above. You will note that the result indicates a net deficit of 4,250,000 pounds for the first half of 1944, which is insignificant in size, and a deficit of 35,000,000 pounds for the second half of 1944, which could be taken care of either by building a twister plant and utilizing sales yarn purchased in the open market or by a conversion of some cotton duck mill facilities to the production of tire cord, or a combination of these two. Any additional rayon which might be made available over and above those figures indicated in Mr. Osborne's letter would, of course, reduce the cotton requirement by a ratio of one pound of rayon to something like 1.3 to 1.4 pounds of cotton.

I would like to point out that the operation of a cotton mill is not an exact science, and any forward estimates made of cotton mill production must, of necessity, be subject to variations up or down * * *.

SEPTEMBER 10, 1943.

Possible cotton tire cord production on present facilities versus stated requirements of the Office of the Rubber Director—8/31/43

	<i>Last Half 1943, pounds</i>
Current Production-----	121,000,000
Added Production if Standardization Program Adopted 10/1/43----	7,500,000
Added Production if Labor Made Available 10/1/43-----	8,250,000
Total -----	136,750,000
Requirements -----	134,800,000
Surplus-----	1,950,000
	<i>First Half 1944, pounds</i>
Current Production-----	121,000,000
Added Production if Standardization Program Adopted-----	15,000,000
Added Production if Labor Made Available-----	16,500,000
Total -----	152,500,000
Add Surplus from 1943-----	1,950,000
Requirements -----	154,450,000
Deficit-----	158,700,000
	4,250,000

Possible cotton tire cord production on present facilities versus stated requirements of the Office of the Rubber Director—8/31/43—Continued

	<i>Second Half 1944, pounds</i>
Current Production-----	121, 000, 000
Added Production from Standardization Program-----	15, 000, 000
Added Production if Labor Made Available-----	16, 500, 000
Total-----	152, 500, 000
Requirements-----	187, 500, 000
Deficit-----	35, 000, 000

SUPPLEMENTARY REPORT ON TECHNICAL ASPECTS OF RAYON VERSUS COTTON TIRE CORD PROBLEM

Under date of September 13, 1943, the undersigned and Mr. James A. Jacobson, Special Assistant to the Chairman, submitted to the Chairman of the War Production Board a report entitled "The Tire Cord Situation, A Qualitative and Quantitative Analysis."

At the time the above-mentioned report was prepared, the writer had had an opportunity to review and evaluate the weekly and other progress reports on the very latest tire cord tests being conducted by the Army, the Government, and the Tire Industry, but these test data were not at that time available in such form as could be readily included in the report. In order that the file may be completed, the following additional data are submitted.

1. ARMY ORDNANCE TESTS

Subsequent to the completion of Tests N & D 140 made by the Normoyle and Desert Test Fleets in May-June of 1943 (See page 5 of Exhibit J in the main report), Army Ordnance conducted further tests of tires made of both cotton and high-tenacity rayon-cord construction. Tests N-D 193 and 195 were completed during the latter part of the summer and the results were finally tabulated and analyzed by September 20, 1943; Test N-D 215 was substantially completed by that date and was sufficiently far advanced for the findings to be considered as final and conclusive. These tests were carried on at both Normoyle (Military general-service durability test—tactical work) and at El Centro (heat and heavy loads—supply work). Tests N-D 193 and 195 were made with 7.50—20 tires containing 70% synthetic-rubber compounds and test N-D 215 with tires of the same size containing 90% synthetic. In these most recent Army tests (N-D 140, N-D 193 & 195, and N-D 215) a total of 689 cotton and 199 rayon-cord tires were tested, the major object being to ascertain the best type of cord construction that would be adequate in 7.50—20 size tires. (This is the size of tire purchased in largest volume by the Army Service Forces.)

Lt. Colonel Joseph M. Colby, Chief, Development Branch, Army Ordnance Department, on September 20, 1943, reported as follows:

"Conclusions which this office draws on all synthetic development and testing to date, with reference to cotton and rayon, are:

"(a) MEDIUM SIZE TIRES. 7.50-20 and 9.00-16.

"1. Cotton 8-ply and 2 "Cap Ply" construction meets minimum adequacy requirements in 90% synthetic construction.

"2. Rayon 8-ply is superior and is needed and should be provided, in the interest of greatest serviceability, conservation of critical materials, efficiency of production, and utilization of manpower.

"(b) LARGE SIZE TIRES. 8.25—10-ply and larger.

"1. Rayon cord is essential to high percentage synthetic content tires. Cotton is not adequate."

A copy of the letter of transmittal and the summary of tests entitled "Recent Synthetic Tire Tests Relating to Cotton and Rayon" are herewith attached as

Supplementary Exhibit J-1. From this exhibit it will be noted that the 7.50—20/8 ply rayon-cord tires tested gave respective average of 26% and 24% more mileage than the cotton 8 ply plus 2 cap plies, and gave respective averages of 9% and 14% more mileage than 10-ply cotton. However, because of the lack of sufficient tire-manufacturing facilities for making 10-ply tires in this size, it has been decided by Ordnance to go into production on the 8-ply cotton plus two cap plies, which can be made with existing equipment.

2. GOVERNMENT TEST FLEET

Under the supervision of the Office of the Rubber Director, the Government Test Fleet operating at San Antonio, Texas, has over a period of months conducted a number of tests of various types of tires and tire constructions. Test Number 11, started August 26, 1943, constitutes the most recent direct comparison between rayon- and cotton-cord construction in larger heavy-duty tires. By September 16 it was sufficiently completed to conclusively demonstrate the superiority of rayon over cotton cord in large highway-type tires constructed with the hot-running 70% GR-S compounds.

Twenty-four tires were tested—12 of 10 ply cotton and 12 of 10 ply rayon; all with rubber tread caps. Four manufacturers, two large and two small, each submitted three cotton and three rayon cord 9.00—20 tires for testing. These highway type tires, inflated to 65# pressure, were placed on the rear wheels of trucks and carried a load of 4500# each, operating over a route that was 90% paved and 10% gravel at speeds of 45 mph on pavement and 30 mph on gravel. In this test it will be noted that all twelve of the cotton cord tires had failed by September 16, at an average of 2,918 miles, whereas the five rayon tires which had failed by that date averaged 4,659 miles, and the seven rayon tires still running, 58% of the total tested, had averaged 6,965 miles.

Attached hereto as Supplementary Exhibit E-1 is a copy of the Progress Report for the week ending September 16, 1943, which will indicate the types of failures encountered on both the cotton and the rayon cord tires tested.

3. INDUSTRY TEST FLEET

The Synthetic Tire Committee (STC) Fleet operating at Glendale, Arizona, has also conducted a number of tests of various types of tires and tire cord constructions. The STC Test Number 5, which was started in July and which is still running, furnishes an accurate comparison between cotton and rayon cord in size 9.00—20/10 ply highway type tires. Of the 69 tires tested, 15 were cotton and 54 were rayon cord construction. These tires, submitted by 15 manufacturers, including the four major and most of the smaller companies, were tested under conditions identical with those of the Government Test Fleet, except that the speed on pavement was 40 mph, as compared with 45 mph in the Government Test Fleet.

Our analysis of the results through September 17 on this test shows that all 15 of the cotton cord tires had failed, at an average of 3,493 miles, whereas only 30 out of the 54 rayon cord tires had failed by that date, at an average of 10,132 miles. Twenty-four rayon cord tires, or 44% of the total number tested, were still running on that date, and showed an average mileage of approximately 12,000 miles.

Attached hereto is Supplementary Exhibit E-2, which is a copy of the Weekly Progress Report of the results of this test obtained through September 17, which indicates the types of failures encountered on both the cotton and the rayon cord tires tested.

SUMMARY

These most recent tests of tires with cotton and rayon cord construction show the marked superiority of high tenacity rayon cord over cotton in the larger sizes of heavy-duty tires.

H. LEROY WHITNEY,
Technical Consultant to the Chairman.

SEPTEMBER 28, 1943.

8936 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

EXHIBIT E-1

Restricted

(Test No. 11)
CC-1-IU
SEPT. 16, 1943.Progress report—Government Tire Test Fleet, 1109 West Houston Street, San Antonio,
Texas

Test No.	11.	Temp.	Mean	Max.	Min.
Constr.	S-6 (70% GRS).	9/9/43	78	89	68
Size	9.00—20, 10 ply.	9/10/43	76	88	65
Wh. Pos.	Rear.	9/11/43	87	91	65
Load	4,500 lbs.	9/13/43	79	93	65
Infla.	65 lbs.	9/14/43	81	92	67
Route	90% Paved—10% Gravel.	9/15/43	77	86	67
Speed	45 MPH Paved. 30 MPH Gravel.				

Weekly wet miles, 165.

Ave. weekly mileage per truck, 3,618.

Com- pany	Fabric	Date Appl.	Mile- age to Date	Remarks	Com- pany	Fabric	Date Appl.	Mile- age to Date	Remarks
A----	Rayon---	8/26	8,135	Running.	C----	Rayon---	8/26	8,095	Running.
		8/27	8,484	"			8/27	8,479	"
		8/28	7,353	X break 8 x 16".			8/28	7,780	"
A----	Cotton---	8/26	5,214	Carcass break.	C----	Cotton---	8/26	5,534	Diag. break.
		8/27	4,788	Diagonal break.			8/27	7,713	Carcass break.
		8/28	5,217	X break 6 x 9".			8/28	1,755	Circ. Fab. Break.
B----	Rayon---	8/26	3,446	Diag. break.	D----	Rayon---	9/6	3,798	X break 11 x 16".
		8/27	4,976	"			9/7	4,253	Running.
		8/28	3,720	"			9/8	3,532	"
B----	Cotton---	8/26	575	Sep'n. plies 9 & 10.	D----	Cotton---	9/6	1,003	Carcass blowout.
		8/27	441	Diag. break.			9/7	1,495	"
		8/28	239	"			9/8	1,046	"

EXHIBIT E-2

RESTRICTED

Synthetic-tire test station—weekly progress report

Test No. 5
SEPTEMBER 17, 1943.

WEEKLY TEMPERATURE RECORD

WEEKLY TEMPERATURE RECORD				Size-----	9.00--20.
	Mean	Mar.	Min.	Wheel-----	Rear
9/10-----	88	105	70	Pos-----	Alternated
9/11-----	89	107	71	Load-----	4500#
9/13-----	90	106	73	Infla-----	65 psi
9/14-----	88	105	71	Route-----	90% pv./10% gr.
9/15-----	88	104	71	Speed-----	40 mph pavement
9/16-----	89	105	73		30 mph gravel

Com- pany	Fabric	Date Appl.	Mile- age to Date	Remarks	Com- pany	Fabric	Date Appl.	Mile- age to Date	Remarks
A----	Rayon---	7/14	9,619	Tread Sep.	C----	Rayon II.	7/14	14,438	Running.
		7/16	8,329	Tr. Sep. B. O.			7/21	14,125	Tr. Cracks.
		7/27	3,131	Tread. Sep.			7/21	11,763	See Note 2.
B----	Rayon---	9/1	6,432	Running.			9/16	*420	Running.
		9/1	5,156	"	C----	Rayon	8/28	6,600	Running.
		9/2	5,094	"		III.	8/27	6,274	"
C----	Rayon I.	7/16	12,687	Running.			8/27	7,396	See Note 2.
		7/24	14,748	See Note 1.			9/16	*420	Running.
		7/26	12,061	Running.	D----	Rayon---	7/19	*12	Damaged.
		9/16	*420	"			7/22	10,995	See Note 3.
C----	Cotton---	7/14	7,893	Bruised.			8/2	11,312	Tread Sep.
		7/19	5,730	"			7/20	11,621	Tr. Cracks.
		7/27	9,555	Carc. B. O.	E----	Rayon---	7/14	3,474	Tread Sep.
		8/23	*2,154	Held.			7/19	1,758	Carc. B. O.
							7/28	2,759	Tread Sep.

See notes at end of table.

INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM 8937

Synthetic-tire test station—weekly progress report—Continued

Com- pany	Fabric	Date Appl.	Mile- age to Date	Remarks	Com- pany	Fabric	Date Appl.	Mile- age to Date	Remarks
F....	Rayon I.	7/14	11,076	See Note 4.	J....	Rayon II.	7/19	16,590	Running.
		7/21	15,600	Running.			7/21	12,909	"
		7/26	12,242	"			7/31	12,436	Bruised.
F....	Rayon II.	9/14	*1,340	"	K....	Rayon...	9/9	*2,030	Running.
		7/14	15,905	Running.			7/26	13,770	Running.
		7/19	11,079	See Note 4.			7/27	7,829	Sep.
		7/29	14,509	Bruised.	L....	Rayon I.	7/28	11,401	Running.
F....	Rayon	9/14	*1,323	Running.			7/28	11,895	See Note 8.
III.		7/16	13,225	Running.			7/22	*802	Punctured.
		7/24	15,045	See Note 5.			7/24	12,540	Running.
		7/26	11,770	Running.			7/28	11,569	"
G....	Rayon...	9/15	*320	"	L....	Cotton...	7/28	5,844	Carb. B. O.
		7/16	10,478	Tr. Crack Sep.			7/24	6,098	" " "
		7/20	11,620	See Note 6.			7/24	7,335	" " "
H....	Rayon...	7/31	15,023	Tr. Crack Sep.	L....	Rayon II.	7/28	12,640	Running.
		7/16	13,112	See Note 4.			7/22	12,448	"
		7/21	5,313	Carb. B. O.			7/26	12,113	Damaged.
		7/28	15,394	Running.			9/8	*2,760	Running.
I....	Rayon...	9/14	*1,176	"	M....	Cotton...	7/14	1,681	Carb. B. O.
		7/14	13,834	Running.			7/24	546	" " "
		7/19	15,880	"			7/26	1,087	" " "
J....	Rayon I.	7/24	8,007	Carb. B. O.	N....	Cotton...	7/19	992	Carb. B. O.
		7/16	15,673	See Note 7.			7/22	711	" " "
		7/19	7,412	Bruised.			7/27	427	" " "
		8/2	12,597	Tr. Cracks.	O....	Cotton...	7/16	1,943	Carb. B. O.
		9/4	*4,190	Running.			7/21	2,030	" " "
							7/27	513	" " "

NOTES

¹ Tires have large "X" bruise breaks. These two tires also have some ply separation but the separation does not appear to be related to the blow-out and is not severe. Replacement tires have been applied.

² Tire has two spots of slightly loosened cords on inside ply, caused when tire went flat due to defective tube. Tire also has a circumferential crack to the fabric at top of bead. This crack, however, would not have caused the tire to be removed at its present mileage, leaving the tire's mileage possibilities questionable, and another tire was applied as replacement.

³ Tire removed, 6" + tread crack to fabric which also caused local separation.

⁴ Tire has small diagonal bruise break and was replaced by another tire of the same group.

⁵ Tire was damaged in accident and replaced.

⁶ Tire blew out at spot of local tread separation started by tread cracks.

⁷ Tire was punctured causing local tread separation and also had another spot of separation due to tread cracks.

⁸ Tire was damaged from running low pressure caused by a leak when valve stem became damaged.

*Not included in calculation of average mileages.

EXHIBIT No. 907

[Official copy]

JULY 16, 1943.

CHIEF OF ORDNANCE, TECHNICAL DIVISION,
Pentagon, Washington, D. C.:

The Ordnance Advisory Pneumatic Tire Committee has been requested by wire, by Ordnance Development Branch at Detroit to submit direct to you by wire a statement of necessity for use of rayon in synthetic military tires. The Ordnance Advisory Pneumatic Tire Committee considers the use of rayon cord vitally necessary for the larger sizes of military tires, namely 8.25-20 10-ply and up when built with 70% or more of GRS synthetic rubber. Rayon cord is also vitally necessary in synthetic combat tires except in the smallest sizes. When sufficient rayon is available its use is recommended in sizes lighter than 8.25-20, namely 7.50-20 8-ply and 9.00-16 8-ply sizes containing 70% or more of GRS synthetic rubber. These conclusions are based on the extensive large-scale ordnance tests conducted during the past year at Camp Normoyle and Camp Seeley. Conclusions are substantiated by tests in recent months by the Industry Synthetic Tire Committee fleet. They are further substantiated by extensive individual company tests. Ordnance testing is on a scale never before attempted. Planning of tests, actual running of tests and reporting and analyzing results have been thoroughly and effectively handled. The tire industry has at all times worked closely with Ordnance on all phases of the program. The results have been invaluable and the progress made to date with all synthetic tires is largely

due to this ordnance activity. The above statements regarding the necessity of rayon are subscribed to by the following members of ordnance advisory Pneumatic Tire Committee: H. E. Eldon, Dunlop Tire and Rubber Corp.; W. E. Lyon, Firestone Tire and Rubber Co.; R. H. Spelman, B. F. Goodrich Company; H. B. Pushee, General Tire and Rubber Co.; W. E. Shively, Goodyear Tire and Rubber Co.; H. P. Partenheimer, Mansfield Tire and Rubber Co.; H. J. Collier, United States Rubber Co.

W. E. SHIVELY,
Committee Chairman.

[Copy]

JULY 17, 1943.

CHIEF OF ORDNANCE,
Technical Division,
Washington, D. C.:

Supplementing July 16th statement of necessity for use of rayon in synthetic military tires by Ordnance Advisory Pneumatic Tire Committee. The following other tire companies have subscribed and agreed to this statement: Armstrong Tire & Rubber Company, Natchez, William Moore; Armstrong Rubber Co., West Haven, Frank Snyder; Dayton Rubber Mfg. Co., A. L. Freedlander; Gates Rubber Co., C. W. Yelm; Lee Rubber & Tire Corp., A. H. Nellen; Pennsylvania Rubber Co., W. F. Hoelzer; Seiberling Rubber Co., Frank Kovacs; Lake Shore Tire & Rubber Co., M. H. Clarke; Mohawk Rubber Co., J. A. Christie; Pharis Tire & Rubber Co., Ralph Riehl.

W. E. SHIVELY,
Committee Chairman.

EXHIBIT No. 908 appears in text on pages 8553-8554

EXHIBIT No. 909 appears in text on page 8555

EXHIBIT No. 910 appears in text on page 8658

EXHIBIT No. 911

WARD & WARD,
Miami, Fla., July 6, 1943.

Mr. HUGH FULTON,
General Counsel, the Truman Committee,
Senate Office Building, Washington, D. C.

DEAR MR. FULTON: I enclose herewith copy of the letter which I have given in the way of a written report to the owners of hotels at Miami Beach who are members of the Miami Beach Hotel Owners' Association. Also, a copy of the letter which I have this day forwarded to Hon. Claude Pepper, United States Senator.

I am deeply appreciative of the fine help which you rendered to our cause while I was in Washington and I sincerely hope that we may receive such fair attention now from the hands of the Army so that it will not be necessary to burden you further with our troubles. However, as I explained to Senator Pepper, I still have my doubts if we will get an equitable adjustment, or even fair treatment, from Colonel O'Brien, and for that reason I am asking that you keep your file on this matter intact until we advise you further.

With kindest personal regards, I beg to remain,

Very truly yours,

W. G. WARD.

EXHIBIT No. 912

MAY 8, 1943.

MIAMI BEACH HOTEL OWNERS' ASSOCIATION,

Miami Beach, Fla.

(Attention Mr. N. B. T. Roney, Mr. Ben Turchin, Mr. Bruno Weil.)

GENTLEMEN: In analyzing the Government leases on the hotels at Miami Beach, I wish to call your attention to paragraph 8 of the standard form of lease known as United States Standard Form No. 2 (revised), approved May 6, 1935, as follows:

"The Government shall have the right, during the existence of this lease, to make alterations, attach fixtures, and erect additions, structures, or signs, in or upon the premises hereby leased (provided such alterations, additions, structures, or signs shall not be detrimental to or inconsistent with the rights granted to other tenants on the property or in the building in which said premises are located); which fixtures, additions, or structures so placed in or upon or attached to the said premises shall be and remain the property of the Government and may be removed therefrom by the Government prior to the termination of this lease, and the Government, if required by the lessor, shall, before the expiration of this lease or renewal thereof, restore the premises to the same condition as that existing at the time of entering upon the same under this lease, reasonable and ordinary wear and tear and damages by the elements or by circumstances over which the Government has no control, excepted: *Provided, however,* That if the lessor requires such restoration, the lessor shall give written notice thereof to the Government 20 days before the termination of the lease."

We are advised that some of these leases have a provision for 20 days' notice and some have a provision for 30 days' notice.

Practically all of these leases expire June 30, 1943, and in paragraph 5 of the standard form, this clause is inserted:

"This lease may, at the option of the Government, be renewed from year to year at a rental of \$ ———, and otherwise upon the terms and conditions herein specified, provided notice be given in writing to the lessor at least — days (most of the leases have 30 days) before this lease or any renewal thereof would otherwise expire: *Provided,* That no renewal thereof shall extend the period of occupancy of the premises beyond 6 months after the termination of the present emergency."

You will note that paragraph 8 says "before the expiration of this lease or renewal thereof." This clause is somewhat ambiguous from a legal standpoint, although from a technical construction if you object to the damage to the building either caused by excessive wear and tear or neglect or by changes or alterations which have damaged the building, you should notify the lessee on or before the time specified in your particular lease, to wit, either 20 or 30 days, or whatever time is provided before the date of June 30 or the expiration date, as the case may be, and demand that the specified repairs or realterations be made.

Just how this would apply in the event of the exercise of the option to renew we cannot say, because there seems to be some conflict between the provisions of paragraph 3 and paragraph 8. It seems to be rather an idle and unnecessary gesture for the landlord to require a tenant to realter premises in the same condition as they were at the time occupancy was given and at the same time accept the renewal of the lease, which would then require that the tenant make new alterations for continued use.

This lease, however, seems to require that you give this notice or that you waive that requirement and provision of the lease.

It is not clear to us just how a landlord is supposed to know what all of the repairs will be until he has had the opportunity of taking possession of the property and making a detailed inspection, and we cannot give you a definite opinion on this construction. We are simply pointing out this possibility and are advising you to take some steps to prevent any estoppel from being claimed by the Government.

Very truly yours,

WARD & WARD.

EXHIBIT No. 913

CITY OF MIAMI BEACH, FLA.,

May 20, 1943.

Memorandum to Miami Beach's committee in Washington to investigate rumors of Army evacuation.

GENTLEMEN: The United States Army Air Forces Technical Training Command at Miami Beach has developed into such a vital contributor to the war effort that its efficiency and economy of operation have been recognized nationally.

Miami Beach's government and citizens have cooperated enthusiastically and wholeheartedly in the training of several hundred thousand soldiers during the past 15 months. Miami Beach's only industry—housing visitors—was revolutionized quickly to make military personnel comfortable at ridiculously low rates.

No city in America approached the economy in training military personnel that Miami Beach has, as shown in a congressional subcommittee report last year.

While most of the Nation's municipalities with manufacturing industries went up the economic ladder in their war efforts, Miami Beach's income dropped materially. This fact, however, was gladly accepted by Miami Beach's city government and citizens because the establishment of the largest training center of the Army Air Forces Technical Training Command in their city has helped preserve the economic structure of the community in the face of reduced civilian transportation facilities and gasoline rationing.

The finest hotels and apartment buildings in America were leased to the Army Air Forces at the amazing low rate of less than an average of \$8 per man per month. The Army has occupied 18,205 rooms in 249 hotels, or 85 percent of 21,531 rooms in the city's 333 hotels. The Army has leased 1,350 units in 83 apartment buildings, in addition to the apartment units leased by individual officers and soldiers of the permanent party and by visiting families of military personnel. Commercial buildings and other properties also have been made available to the Army at low cost.

The city government and citizens of Miami Beach have been proud to be of service in the Air Forces' training program. Here the Army found America's fastest-growing city, as proven by the Federal census and building records. Miami Beach has more hotels than most of the Nation's largest cities. For example, Buffalo, with a population of more than 500,000, has only 5,000 hotel rooms. Two hundred of Miami Beach's hotels were built in the 6 years prior to the establishment of the Air Forces Technical Training Command.

The city government has given 100 percent cooperation to the Army during the planning, the establishment and the maintaining of the Air Forces Technical Training Command. Every department of the city has contributed its services, involving the expenditure of more than \$50,000.

Ten days from the time a lone second lieutenant came to Miami Beach as a representative of the Air Forces, the Officer Candidate School was opened with 500 students. The municipal golf course, whose gross revenue was \$47,115 in the year ending October 31, 1941, was leased on a 1-day notice to the Army for \$1 a year. The city has turned over at no cost to the Army property worth millions of dollars and reduced water rates at a saving to the Army of many thousands of dollars annually. Use of 6 city parks and other municipally owned properties has expedited the Army training program.

A special department has been maintained in the city hall—that of the city-Army liaison officer—which has worked continuously for the interests of the military personnel. The city also paid for the appraisal of Army-leased properties, prepared numerous surveys, increased recreational and training facilities, adjusted traffic regulations to expedite military movements and placed the entire police department at the disposal of the provost marshal.

No houses of prostitution have ever been permitted in Miami Beach. The incidence of venereal disease in the Miami Beach military post is believed to be the least of any in the country.

Miami Beach, commended by the Federal Bureau of Investigation as having less crime than any other city in Florida, hopes that the Army will continue to make use of its facilities. The climate permits training 365 days of the year. There is no place like Miami Beach for fitness, year-round outdoor living and health-building sunshine.

Sincerely yours,

THOMAS F. SMITH,
City-Army Liaison Officer.

INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM 8941

EXHIBIT No. 914

JUNE 3, 1943.

HON. CLAUDE PEPPER,
United States Senator,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR: Since our conversation in Tallahassee about a week ago, I know there have been certain developments in the situation concerning the Miami Beach hotels, but I feel I should advise you definitely just what my position is.

As stated to you, I represent the hotel association and there are approximately 100 hotels actively involved in the present problem and we are not concerned in this problem as to whether or not the Army continues in Miami Beach or exercises its various options to cancel on 30 days' notice.

Mr. Montgomery visited you last week. He was naturally concerned from the viewpoint of the city commission in the general situation at Miami Beach, but there are so many matters that will have to be renegotiated and understood regardless of whether the Army continues in the Beach or not, that I plan to come to Washington as per your suggestion, sometime the latter part of next week—arriving there about Saturday the 12th—or I could arrange to be there on Monday the 14th, at the most suitable time for you.

I have had a number of appraisals made by competent appraisers and I have a brief of the original Dent Act prepared for the same purpose in the last war, and numerous affidavits and statements concerning our difficulties. For example, as I have previously explained to you, in the leases negotiated by the Army in Atlantic City and in all of the later leases negotiated by the Navy in Miami, provision is made for the maintenance of the building during the term of the lease. No such provision is made on the beach leases. The condition of these buildings is quite critical and there should be some repair work done at this time regardless of whether or not the leases are renewed. There is no provision in these leases to cover rental during the time of repair or realteration in the event the Army does move out, and in many instances, the rentals paid are so grossly inadequate as to create some concern as to just why a free people would sign a lease on that basis. I have all of these matters fully prepared so far as briefs are concerned and, as I mentioned to you in Tallahassee, I know there are legal matters involved.

We have not taken any step which would affect the discretion of the Army one way or the other with reference to their policy in Miami Beach. Our position, therefore, is not contradictory to that which has been taken by Mr. Montgomery. We will be glad to have the Army stay in our hotels, but we would like to have an equitable and a just and reasonable arrangement determined at this time so we can prevent further damage and get some adequate protection for these people under these leases which have been previously entered into in such haste and under circumstances which in many instances amounted to actual duress.

I am not attempting to fully explain my whole position in this letter, but would like to know just when you would have a few moments to see me in Washington and perhaps have the matter referred to some outstanding law firm that has the confidence and esteem of the parties in the departments or in Congress, who would deal with the subject matter.

Upon receipt of your advice, I will make my plans accordingly.

With kindest personal regards, I am

Very sincerely yours,

W. G. WARD.

EXHIBIT No. 915

JULY 6, 1943.

MIAMI BEACH HOTEL OWNERS ASSOCIATION,
Miami Beach, Fla.

GENTLEMEN: Supplementing the meager newspaper reports of our conference in Washington last week and the week before, and without going into the numerous details on the subject of the conferences, I beg to advise briefly as follows.

I previously had conferences with Senator Pepper in Tallahassee on May 5 and 6, at which time we outlined a plan of procedure with the idea of submitting the plan to the Truman committee. At that time, the types of evidence which we would have to rely upon was discussed. Senator Pepper returned to Washington and I returned to Miami at which time affidavits were obtained and appraisals ordered. After this had been completed, I arranged to see Senator Pepper at

Tampa, Fla., on Sunday, the 13th of June, where I went over the entire file with him. Senator Pepper then visited Miami on the 14th and 15th of June, at which time he had the opportunity of seeing the conditions personally and talking to some of the parties interested. I then arranged to meet Senator Pepper in Washington on the 22d day of June.

I left here on Monday night and had my first conference with Senator Pepper at his office at about 11 o'clock a. m. of the 22d. It appeared at that time that complaints had come in from Daytona Beach, and St. Petersburg, Fla., a few from Atlantic City, and several from Chicago, covering practically the same issue. Senator Pepper was called into a committee meeting and I arranged to see him later that evening at which time we discussed the matter thoroughly in conjunction with the representative from St. Petersburg.

On Wednesday, the 23d of June, we met at noon with Mr. Hugh Fulton, general counsel of the Truman committee, in Senator Pepper's office. At this conference H. W. Haynes, the owner of the Princess Isseña Hotel at Daytona Beach, was also present. A full discussion took place with the general counsel of the Truman committee and Senator Pepper at that time on our behalf requested immediate investigation with the view to obtaining a fair and impartial adjustment.

There were five matters discussed in chief:

1. The apparent attitude on the part of the Government engineers to claim that ordinary wear and tear described in the leases should be construed as to mean barracks wear and tear.

2. The apparent contention by the Army that the leases could not be carried out on behalf of the Army and repairs made because of labor conditions, priorities, and so forth. Under this set-up, the Army apparently proposed to offer a cash award on estimated damages to date and if the owner refused to accept the same, then to leave the owner to whatever redress he might have in a court of claims. This provision made no allowance for the accelerated depreciation or damage which could not be repaired and loss of utility value during the period of repair, either by the owner or by the United States.

3. In quite a few instances, it was contended that the original leases had been entered into hastily and in some cases, under circumstances which amounted to technical if not actual duress. In these classes of cases, we asked that an adjustment be made considering the entire transactions from the beginning until the time of delivery of possession by the United States, on an equitable basis.

4. It was brought out that in any event, even though the Army saw fit to repair the premises and to pay rent during the period of restoration, there should be some impartial tribunal or board who would judge when the repairs had been completed.

After these four points had been established and discussed, the representative from Daytona Beach raised a fifth point, namely, that where the property was occupied during the winter season by the United States Army, this amounted to a year's occupation under normal circumstances and any adjustment or cancellation should not be upon a monthly basis but in accord with the usual and general custom of prorating the chief value through the winter or seasonal months.

On these five points, Mr. Hugh Fulton, general counsel of the Truman committee, stated he would take the matter up with the committee at once and see just what could be worked out. This conference was concluded about 2 o'clock Wednesday afternoon, June 23.

Early Friday morning, June 25, Mr. Fulton advised me at my hotel that the Truman committee had considered the matter and was making a formal request that day of the War Department for a complete report on the matter and, if necessary, the setting up of an impartial committee as we had requested in the beginning, and asking that the Department of War give full information to the Truman committee concerning their attitude. Later at noon on Friday, upon confirmation by Senator Pepper in conference with Mr. Hugh Fulton, it was found that the actual formal request had been issued by the Truman committee and thereupon this statement was released by Senator Pepper to the newspapers for the publication. It was requested by the Truman committee that a preliminary report be given to Mr. Fulton by noon of Tuesday, June 29.

On Tuesday, the 29th, Senator Pepper called a conference in his office at noon and contacted Mr. Hugh Fulton of the Truman committee. Mr. Fulton reported

that Mr. Julius Amsburg, special assistant to the War Department, had conferred with him and had given him certain information concerning the attitude of the War Department, but no definite plan has been submitted. Senator Pepper immediately demanded a conference with Mr. Amsburg and Mr. Fulton, which was set for 1:45 o'clock of the same day.

At this time, it appeared that Mr. Amsburg had taken the matter up with the Under Secretary of War, Mr. Patterson, and also Col. John J. O'Brien, Chief of the Real Estate Division of the Army, who had personally been in charge of all of the Miami Beach hotel matters, and he felt the investigation was unnecessary. We reported this situation back immediately to Senator Pepper and a conference was arranged at 1:30 o'clock on Wednesday, June 30, with Mr. Howard C. Peterson, special assistant to the Under Secretary of War, at which time it was advised that Col. John J. O'Brien would be present in person.

We held this conference as per schedule and all five of the main points were thoroughly discussed. At this conference, Mr. H. W. Holland, of St. Petersburg, was also present. Appraisals were discussed and the four appraisals which we had prepared by D. Earl Wilson, Walter M. Harris, and E. D. Keefer were presented and left with Mr. Peterson and Colonel O'Brien for further discussion. My construction of this conference and the results obtained, both pro and con, are as follows:

First, Colonel O'Brien admitted that practically all of the leases made at Miami Beach were made on terms dictated by the Army, that in many instances military zones were established, including property not under lease, and that thereafter, the properties were leased while under semimilitary restrictions. We presented some 15 or 16 affidavits to prove the tactics which had been used, all of which apparently were admitted by Colonel O'Brien, but he would not, of course, admit that these practices were unfair or fraudulent.

Second. Objection was then made by me to Lieutenant Colonel Fitch, or Mr. Frazier, or any one who had aided in the acquisition of the leases, being the sole judges of the amounts to be awarded for damages and repairs at the termination of the leases. Under the appraisals and the affidavits submitted, it was claimed that the result of the efforts of Colonel Fitch and Mr. Frazier and others while no doubt commendable insofar as the United States Government was concerned, was not commendable from an equitable doctrine. It was pointed out that no fair formula was used, that no reasonable return was made on the valuations, and that each of the leases was entered into on the theory that the Government was entitled to drive the best and hardest bargain which it could when actually they were not dealing at arm's length. Colonel O'Brien admitted some of these statements, claiming that the entire matter had been passed upon by the Military Affairs Committee of the House, first on October 20, 1942, being House Resolution No. 162, House Report No. 2588, and again on the House Resolution No. 30, dated February 17, 1943, House Report No. 132. It was pointed out to Colonel O'Brien that we were entirely familiar with both of these hearings, but that only the Government's side of the case had been presented.

Third: Discussion took place concerning the question of the payment of rent during the period of repairs by Mr. Peterson, who stated that under the circumstances, two types of award would be offered—first, a cash award in full would be offered and, second, if this was not acceptable, the Army would restore the premises in accordance with their lease and would pay rent during the period of repair, regardless of the time element involved. Both Mr. Peterson and Colonel O'Brien seemed to think the property could be repaired within a reasonable time, notwithstanding the fact that items like the telephone could not be replaced.

As we understand the instructions from Mr. Peterson, ordinary wear and tear, as described in the lease, was to be construed in its ordinary sense and not as barracks wear and tear. As above stated, the United States would not take the arbitrary position that they had a right to offer a cash award and, if not accepted, to refer the claimant to a court of claims, but would attempt to carry out their contract in full and make the repairs and pay rent during the period of repair. Mr. Peterson, in the presence of the writer, requested Col. John J. O'Brien to forward that information to his negotiators at once. Colonel O'Brien stated that he personally would come to Miami Beach within the next several weeks to investigate the matter and to then make his recommendations.

To some extent the conference was satisfactory, but in other ways it was not.

1. Colonel O'Brien did not seem to be particularly shocked at the methods

which had been used, taking the position that it was the duty of his Department to get the property on the best available terms and apparently without regard to the methods used.

2. He would not agree that an impartial committee should be appointed and, while very courteous and considerate in the conference, seemed to resent the inference that any unfairness was practiced in their tactics or any unfair results obtained.

3. Colonel O'Brien was virtually scornful of the truthfulness or validity of the appraisals which we submitted and claimed that they were ridiculous, even though he admitted that he knew the appraisers and that at least several of them had done a great deal of work for the Army.

Both Mr. Peterson and Colonel O'Brien flatly denied the right of adjustment on existing leases and claimed it was not within their power and not the policy of the War Department. We pointed out to them the construction of General Somervell on the same subject, contained on pages 32 and 33 of the Military Establishment appropriation bill for 1944, appearing before the subcommittee of the Committee on Appropriations, United States Senate, on H. R. No. 2996, in which statement General Somervell said that the Army considered the contracts were equitable on both sides and that if the Department was satisfied that a bona fide loss had been occasioned by the contractor, that an adjustment would be made.

Only two definite things were arrived at at the conference: First, the United States did offer to repair the promises and pay rent during the period of repair; and, second, ordinary wear and tear would be construed in its common meaning and not in any strained position as barracks wear and tear.

The points unsettled by the conferences were as follows:

1. The War Department would not consent to an impartial committee until after Colonel O'Brien had come to Miami Beach and made a full investigation.

2. Mr. Peterson and Colonel O'Brien would not agree that they had the right to adjust the basic leases, even though they were unfair.

3. While Colonel O'Brien admitted the tactics used in the acquisition of the leases which we claimed, he would not consider that these tactics were unfair under the circumstances.

4. Even though at Miami Beach practically all of the leases expired on June 30, 1943, no question was raised concerning the prorata monthly basis. We did discuss the question of prorata monthly rates in the event of cancelation of the balance of the leases in the fall of 1943 and at a time when repairs could not be made to provide for sufficient operation for the winter season.

I would like to feel that the War Department would voluntarily adjust all matters in controversy on an equitable basis, but unless the present attitude changes, there is little hope for success of an equitable adjustment unless an impartial committee is set up. In speaking of this attitude, I am speaking of the attitude of the philosophy or thoughts of the Department rather than the personal attitude expressed to the writer, as no one could have received any more courteous or considerate hearing than was accorded to me by Mr. Peterson and Colonel O'Brien, and I am speaking only of fundamental differences of thought rather than action.

Senator Pepper was originally influenced, in my opinion, by the fact that one should not be an interested party, the prosecutor, the chief witness and the judge all at the same time. This is the position which the Army has taken. It is admitted that they offered what they wished for the leases in the beginning and now they seek to offer just what they wish in conclusion. Perhaps in some instances the results will be fair, but in many instances injustice is bound to be the result.

Since Colonel O'Brien is coming here, each individual hotel operator should reduce to writing any statement which he wishes to make and substantiate his statements by such proof as he has available. This should be done quickly because I judge that Colonel O'Brien's stay will be limited. I am hopeful that the matter may be adjusted here with the Department, but I have my doubts and it is my opinion that the appointment of an impartial committee through the intervention of the Truman Committee will be the only solution in reaching an equitable adjustment.

Very truly yours,

WARD & WARD.

EXHIBIT No. 916

JULY 6, 1943.

In re Miami Beach hotel situation.

Hon. CLAUDE PEPPER,

United States Senator, Senate Office Building, Washington, D. C.

MY DEAR SENATOR: After Jack Holland and I had completed our conference with Mr. Howard C. Peterson, special assistant to the Under Secretary of War, and, also, with Col. John J. O'Brien, Chief of the Real Estate Division of the Army, I tried to call you at your office and thank you for your consideration given to this matter and to the personal courtesy shown to me. However, you were engaged on the Senate floor and my train left quite early in the evening.

Upon my return to Miami, arriving here late Thursday night, I conferred with my principals and I have just completed a report in writing to them of all transactions which took place in Washington on this matter. I enclose herewith a copy of this report for your files. I am, also, sending a copy for Mr. Hugh Fulton, general counsel of the Truman committee.

Very briefly, our conference was partially satisfactory and Colonel O'Brien is coming to Miami Beach in a short while to see whether amicable adjustment can be worked out based upon a somewhat different formula which was established by Mr. Peterson. The attitude of Colonel O'Brien, however, is not cooperative and I have personally little hope that he will make any adequate or equitable adjustments although he does not deny the principles upon which we base our claim.

I felt it would be well, however, to ask Colonel O'Brien and his staff to complete their negotiations and to make their offers. In the meanwhile, the hotel owners of Miami Beach are preparing their findings of fact so that the whole matter may come to a definite issue within the next 2 or 3 weeks.

The owners here are definitely attempting to avoid any complications and, in my opinion, are willing to bend over backward to an extreme point to avoid anything that might be construed as detrimental to the war effort. I think that if the Army will meet them even half way, the matter can be amicably adjusted. I am, however, of the opinion that it will still be necessary to have an investigating committee or an impartial board set up before real and substantial justice will be awarded.

The information contained in my letter to the Miami Beach Hotel Owners Association should be of some importance and I trust you will have Mr. Folkes keep this file intact so we may have it readily available if it is necessary to again approach the Truman committee for further action.

Again thanking you for your many courtesies and with kindest personal regards to you and your charming wife, I beg to remain, as ever

Very sincerely yours,

EXHIBIT No. 917

STATE OF FLORIDA,

County of Dade, ss:

On this day personally appeared before me Nellie B. Powney, who first being duly sworn, deposes and says:

That she was employed by the engineers as secretary to Maj. David B. Fitch from the 21st day of April 1941 to July 20, 1941. That there were several occasions on which she believed the hotel owners were "railroaded" into signing leases and, though I can't remember the exact words, Major Fitch often threatened people that if they couldn't agree to his terms on rentals he would condemn their property and they would get less than what he was offering.

He used the word "condemnation" many times and high pressured people into signing leases at his figures. So far as she knows he used his own figures in making deals. Everything was very secret and if any questions were asked they were told it was a "military secret." Mostly, it was a matter of taking his figure or leaving it.

She further states that she personally took down several telephone conversations between Major Fitch and other parties which were transcribed by her and placed in the files.

She believes that generally the people were forced into signing leases against their better judgment.

NELLIE B. POWNEY.

Subscribed and sworn to before me this 12th day of January 1944.

[SEAL]

GLYNN O. RASCO,

Notary Public, State of Florida at Large.

My commission expires July 16, 1946.

EXHIBIT No. 918

STATE OF FLORIDA,

County of Dade, ss:

On this day personally appeared Frances E. Marshall, who being duly sworn, deposes and says:

That she was employed by the engineers as secretary to Lieutenant Holliman from the 27th day of March 1941 until July 1, 1941. That of her own knowledge great pressure was brought to bear on owners of hotels and that some of them were so nervous and frightened of uniforms and military regime they could hardly sign the options or leases. That one Major Fitch did take advantage of this fear and did play upon their patriotic duty and that especially the Jewish people were on a spot because of some unfavorable publicity given them when the Army first started taking hotels. That it seemed that the little fellow was pushed around and some of the wealthier ones who brought their lawyer were treated much more fairly.

That on one particular occasion a Mr. Van Ness leased his hotel and after occupying it a month the Army decided it was unfit and immediately moved out, whereupon Mr. Van Ness was "talked" into waiving the 30-day notice clause. There were also numerous occasions of forcing owners into putting new roofs, etc., on their buildings despite the fact that the clause (No. 9) was deleted in practically all leases, which clause made the owner responsible for the exterior of the building.

That upon the transfer of Mrs. Marshall to the Caribbean Division her husband, William Marshall was employed by the former office. That he threatened to quit and was continually upset because of the high pressure methods the rest of the negotiators were using and which he was told to use. That he refused on many occasions to carry out orders because they were so unfair, this was particularly true of land in and around Homestead which was being taken over for airports. That at one time he threatened to write Washington because of the threats, etc., used by one negotiator in his presence on a man who owned his home and had several acres of land in fruit trees, plants, etc., and was browbeaten into signing an option for \$300 a year. That Mr. Marshall made such an issue of it it was finally renegotiated. That everyone in the office disagreed with Mr. Marshall when he tried to tell them that they would only get into trouble and probably involve suits against the Government if they didn't pay a reasonable rent and treat the people with courtesy and, in general, abide by the rules of the Real Estate Manual, which forbade the use of the word "condemnation," etc.

Mrs. Marshall further avers that of her own knowledge as well as information from her husband, as a general thing the owners of property were treated unfairly, especially by the promiscuous use of the words "condemnation" and patriotic.

FRANCES E. MARSHALL.

Subscribed and sworn to before me this 12th day of January 1944.

[SEAL]

GLYNN O. RASCO,

Notary Public, State of Florida at Large.

My commission expires July 16, 1946.

EXHIBIT No. 919

DADE COUNTY,

Miami, Fla., January 10, 1944.

Senators KILGORE AND FERGUSON,

The Truman Committee, Miami Beach, Fla.

GENTLEMEN: I have been requested to give some information concerning the tax rolls of Dade County, Fla., for the years 1941 and 1942.

Prior to 1941 the assessment base in Florida ranged anywhere from 10 to 25 percent of real value, the millage over many years having been fixed with that view in mind. For example, Dade County ranged between 20 and 22 percent and the millage averaged around 60. We were concerned largely with equalization between property rather than full value. By the acts of the legislature of 1941, which went into effect the last part of June, 1941, the assessors were to increase their assessments and the millage fixing bodies were to decrease their millage in proportion. This had to be done within a period of several weeks, so the assessments were multiplied four times and the millage decreased four times.

This did not necessarily mean that we had arrived at, in any one year, the accurate full cash value on our assessments but was all that could be done at that time.

It was the plan, for the years 1942 and 1943, to resurvey all property and ascertain a true 100 percent cash value. Much work has been done along this line but it has not as yet been thoroughly completed due to the war conditions. Due to the war conditions the values as fixed on the roll of 1941 have been permitted to stand with slight exceptions. Therefore, you could not say that the 1941 tax roll simply multiplied four times over the previous assessments could represent an actual value of property. We have been concerned with the equalization and the courts have since upheld our rolls based on the equalization period.

Very truly yours,

VAN C. KUSSROW, *Acting Tax Assessor.*

EXHIBIT No. 920

TOM DUPREE, INC.,
Miami Beach, Fla., July 31, 1943.

Re Midtown Hotel, Miami Beach, Fla.

Mr. GLYNN O. RASCO,

*Executive Manager, Miami Beach Hotel Owners Association,
 Miami Beach, Fla.*

DEAR MR. RASCO: The Army took over this property on November 1, 1942. They agreed to pay \$5,000 per year rental, but the customary Government lease had the 30-day cancelation clause, and the Government exercised their option to cancel as of July 31, 1943.

The rental paid by the Government for the 9-months' period amounted to \$3,750. The taxes and insurance on this property amounts to \$1,300 annually.

We estimate the damage to the interior of the building occasioned by Government use at approximately \$2,500. The Real Estate Projects Office through Mr. John C. Frazure offered us \$760.

Mr. Frazure told us the Government's formula for making allowances for rehabilitation of the properties and this formula is predicated on the Government's arbitrary statement that all of the properties would have to be rehabilitated every 3 years under civilian usage; therefore if the Government has kept the properties for 9 months and paid rental for 9 months, the owner should stand nine-thirty-sixths portion of the cost of rehabilitation.

Mr. Frazure says that the Government does not allow anything for painting the ceilings of the hotel rooms and as the ceiling represents one-fifth of the hotel rooms, the owners therefore are penalized an additional 20 percent because of the Government's arbitrary position.

They even carry this further and offer to rehabilitate twenty-seven thirty-sixths of the number of rooms in the building, leaving the remaining rooms for the owner to rehabilitate.

The Government refuses to pay any damages for the lawns or any for the exterior of the properties, so that the net result to the owner is that he would have to pay (as in the case of the Midtown) as his portion of the interior rehabilitation, some \$600 or \$700; he would also have to pay \$300 or \$400 to put his lawn back into shape as it was when the Government took the property. He would also have to pay for the repair to the damage of the carpets if they were left on the floors, and in the case of the Midtown, this would amount to some \$250. He would also have to pay the cost of moving, storing, and repairing the furniture, which would be another \$500, and this, together with taxes and insurance, would only leave him some \$500 or \$600 gross income on his investment, and he would still have to charge off for obsolescence and depreciation 10 percent on the total value of his furniture plus 3 percent on the value of his building, and this would amount to some \$1,900 and is predicated upon the allowance that the Government permits for income-tax purposes. Therefore the owner of a property such as this would suffer an actual loss of \$1,300, to say nothing of the loss of the interest on his investment, as his compensation for the Government's use of his property for 9 months.

When this property was taken over it was implied by the negotiators that there would only be one occupant for every 60 square feet of room space, and the owner's rental was predicated upon this occupancy. In most cases the Army placed on the premises three or four times as many men as they said would occupy the

property; the damage therefore accruing being much more than would normally be expected under civilian use.

There is no disposition on the part of the Army adjusters to deal with the property owners on a fair and square basis. The dealings are not at arm's length—they are on a block-length basis.

Very truly yours,

PARK WEST CORPORATION,
By THOS. O'H. DUPREE,
Secretary and Treasurer.

EXHIBIT No. 921

TOM DUPREE, INC.,
Miami Beach, Fla., July 2, 1943.

Mr. GLYNN O. RASCO,
*Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.*

DEAR MR. RASCO: I want to stress a point that will be well worth considering when Colonel O'Brien gets here, viz:

When Colonel Fitch and John Frazure were negotiating for the hotels last fall they stressed the fact that the appraisers recommended a fair yearly rental, and in each and every case the appraisals were predicated on the yearly interest on the investment, the yearly cost of insurance, the yearly taxes, the yearly depreciation. The appraisers' suggested yearly rental in every case was a very conservative yearly rental, but Fitch and Frazure always were able to arrive at an offer considerably less than the yearly rental suggested by the appraisers, and in some instances they suggested that property owners' patriotism should permit them to accept the lesser figure that was offered.

All of the owners without exception thought that the Government would keep the property for the duration and, while they knew the Government paid monthly, they did not under any circumstances feel that the Government would ask that a partial year's rental be accepted in the event the Government canceled as provided by the 30-day clause.

Intentional or otherwise, the fact remains that the property owners were misled and the appraisers were misled, and while the Government has had the best accommodations possible for their personnel, the property owners get just a small proportion of a very conservative rental based on a yearly rate but paid by the month for a period of from 7 to 8 months.

Very sincerely yours,

THOS. O'H. DUPREE
Thomas O'Hagan DuPree.

EXHIBIT No. 922

TOM DUPREE, INC.,
Miami Beach, Fla., July 3, 1943.

Mr. GLYNN O. RASCO,
*Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.*

DEAR MR. RASCO: In my letter yesterday I failed to mention a very salient factor in the Government negotiations. They claimed that they could not pay more for the hotels that they were taking over because they were not permitted to house troops unless they had at least 600 cubic feet of space for each man housed. In other words, if a hotel contained 50 rooms, each 12 by 15 by 8½ feet, they said that they would not be permitted to house over 2 men to a room or 100 men to the building, and the rental that they offered was predicated on the cost of housing only 2 men to a room, or a hundred to a building. Immediately when they got possession, they put 4 and more men to each room, and of course they subjected the property to a much greater wear than would have been occasioned if only the number as stated would have been placed on the property.

One of the prime considerations in leasing property is the representation made as to the number of occupants, for in no other way can the wear and tear be estimated.

This writer believes that Colonel O'Brien should be made thoroughly cognizant of all of the misrepresentations.

Very sincerely yours,

THOS. O'H. DUPREE
Thomas O'Hagan DuPree.

INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM 8949

EXHIBIT No. 923

Princess Issena operating statement, 1942

Provisions-----		\$18,855.29
Laundry-----	\$82.75	
Telephone and telegraph-----		750.45
Employees-----		11,648.92
Freight and express-----		87.90
Extra meals-----	1,130.05	
News and cigars-----		6.83
Room service-----	525.90	
Room and board-----	80,888.54	
Mineral water-----	98.01	
Advertising-----		1,328.69
Water rent-----		678.81
Light and power-----		1,771.63
Fuel-----		2,814.84
Maintenance and repairs-----		3,076.35
Linen and housekeeper supplies-----		775.90
Rentals-----	1,893.96	
Transportation-----		298.28
Entertainment-----		93.35
Expense-----		511.75
Baggage-----		219.08
Insurance-----		528.31
Printing and stationery-----		301.88
Crockery-----		87.70
Uniforms-----		99.80
License-----		34.80
Yard and grounds-----		77.98
Taxes-----		14,493.15
Over and short-----		76.40
Total-----	84,619.21	58,618.18

Princess Issena operating statement, 1941

Provisions-----		\$27,827.04
Laundry-----	\$194.26	
Telephone and telegraph-----		996.51
Employees-----		16,698.44
Freight and express-----		494.68
Extra meals-----	1,849.85	
News and cigars-----	28.47	
Room service-----	727.65	
Room and board-----	124,839.85	
Mineral waters-----	107.20	
Advertising-----		1,542.95
Water rent-----		907.69
Light and power-----		3,421.01
Fuel-----		2,471.04
Maintenance and repairs-----		5,951.60
Linen and housekeeper supplies-----		3,937.18
Rentals-----	3,741.00	
Transportation-----		90.00
Entertainment-----		231.50
Expense-----	262.15	
Baggage-----	270.44	
Insurance-----		1,730.25
Printing and stationery-----		830.79
Crockery-----		947.70
Uniforms-----		403.00
License-----		72.25
Yard and grounds-----		785.07
Taxes-----		17,350.71
Painting-----		187.41
Total-----	132,020.87	86,876.82

8950 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

Princess Issena operating statement, 1940

Provisions		\$34,248.26
Laundry	\$453.49	
Telephone and telegraph		796.07
Employees		18,605.63
Freight and express		439.20
Extra meals	2,154.25	
News and cigars	75.41	
Room service	1,116.75	
Room and board	162,308.24	
Mineral waters	227.75	
Advertising		1,795.18
Water rent		1,190.04
Light and power		2,871.51
Fuel		4,070.85
Maintenance and repairs		14,260.54
Linen and housekeeper supplies		2,456.42
Rentals	6,219.16	
Transportation		115.00
Entertainment		110.34
Expense		1,525.00
Bad debts		67.54
Baggage	391.98	
Insurance		835.30
Printing and stationery		898.48
Crockery		430.65
Interest		1,630.89
Uniforms		392.30
License		285.75
Yard and grounds		701.60
Taxes		17,694.33
Painting		307.22
Total	172,947.03	105,728.10

Princess Issena operating statement, 1939

Provisions		\$32,137.85
Laundry	\$164.14	
Telephone and telegraph		616.38
Employees		18,984.22
Freight and express		687.38
Extra meals	2,500.57	
News and cigars	81.20	
Room service	1,030.25	
Room and board	166,454.51	
Mineral water	113.14	
Advertising		1,878.53
Water rent		1,018.51
Light and power		2,874.33
Fuel		2,744.66
Maintenance and repairs		7,079.62
Linen and housekeeper supplies		3,462.65
Rentals	6,797.26	
Transportation		90.00
Entertainment		185.25
Expense		1,865.08
Baggage	376.02	
Insurance		1,723.35
Printing and stationery		744.86
Crockery		520.86
Interest		2,670.08
Uniforms		108.05
License		285.75
Yard and grounds		355.65
Taxes		15,733.46
Total	177,517.09	95,676.52

Princess Issena operating statement, 1938

Provisions -----		\$34,410.97
Laundry -----	\$349.42	
Telephone and telegraph -----		721.85
Employees -----		18,639.48
Freight and express -----		379.47
Extra meals -----	2,469.00	
News and cigars -----		31.71
Room service -----	1,113.16	
Room and board -----	163,973.22	
Mineral waters -----	189.68	
Advertising -----		1,899.13
Water rent -----		1,269.53
Light and power -----		2,358.30
Fuel -----		2,820.30
Maintenance and repairs -----		7,966.95
Linen and housekeeper supplies -----		1,643.37
Rentals -----	6,823.69	
Transportation -----		140.00
Entertainment -----		311.10
Expense -----		600.98
Baggage -----	307.51	
Bad debts -----		36.71
Insurance -----		1,956.38
Printing and stationery -----		639.83
Crockery -----		281.60
Interest -----		2,408.67
Uniforms -----		399.18
License -----		331.50
Yard and grounds -----		675.24
Taxes -----		17,390.74
Total -----	175,225.68	97,312.99

EXHIBIT No. 924

HOLLANDER HOTEL,

St. Petersburg, Fla., November 5, 1943.

The TRUMAN COMMITTEE,

Washington, D. C.

HONORABLE SIRs: The enclosed resolution was passed unanimously by the St. Petersburg Hotel Men's Association, which voted at its regular monthly meeting held in St. Petersburg on November 4, 1943, to forward a copy thereof to your body as well as to the War Department.

The resolution outlines in general the conditions under which the St. Petersburg hotels were leased and under which settlements were made by the War Department. It does not attempt to cover specific items such as the broken elevator cable found in one of the hotels, the removal of several hundred sheets and towels from the locked storerooms of another hotel during Army occupancy, or the hundred and one things found after Army release which were not known or made known to the owners at the time of settlement and the signing of the required releases.

Our association respectfully requests a thorough examination of and an investigation into our grievances and the problems which confront us as a result of the use of our properties by the War Department.

Respectfully yours,

OTHO FOWLER,

Secretary, St. Petersburg Hotel Men's Association.

RESOLUTION ADOPTED UNANIMOUSLY BY THE ST. PETERSBURG HOTEL MEN'S ASSOCIATION

Be it resolved by the St. Petersburg Hotel Men's Association, That—

Whereas in the month of June 1942 the United States War Department, through its representatives, Lt. Col. David G. Fitch and John C. Frazure, requested the

use of the hotels of the city of St. Petersburg as being a necessary requirement under the Army Air Forces training program, and

Whereas the owners and representatives of the said St. Petersburg hotels were informed by the said representatives of the War Department that it was their patriotic duty to relinquish their properties to the Government, and

Whereas the said owners and representatives of the said St. Petersburg hotels were informed by the said representatives of the War Department that their properties would be fully and properly maintained while in Government use and would be returned within 6 months after the duration of the then and present emergency in "as good condition if not better" than when the said properties were turned over to the Government, and

Whereas the said owners and representatives were informed by the representatives of the War Department that the Government's use of their properties would be consistent with the hotel use and that but a limited number of men would be quartered therein, and

Whereas the said owners and representatives were told that if they did not peacefully relinquish their properties the city's streets and thoroughfares would be blocked off and access to their properties would be denied to them and their patrons, and that court procedure would be instituted against them, and

Whereas arbitrary rental figures were set by the representatives of the War Department, which rentals were not consistent with or equal to rentals offered by the War Department for similar properties in other cities, and

Whereas such rentals as offered were but fractional amounts of the normal and usual earnings of said properties and in a number of instances were insufficient to cover carrying charges, including taxes, insurance, mortgage interest, etc., and gave little or no return on equities above indebtedness, and

Whereas the owners and representatives were required to sign option agreements which stipulated they execute leases conforming to and presumably containing provisions consistent with the promises and assurances given them by the said representatives of the War Department, but that no such leases or sample leases were exhibited to them at the time of the signing of the option agreements, and

Whereas contrary to the assurances of the said representatives of the War Department, a far greater use was made of the properties by the Government, six and eight men being quartered in space owners were told could be occupied by but two or, at most, three men, resulting in far greater damage and wear and tear than could conceivably have been imagined or contemplated under the assurances made by Lieutenant Colonel Fitch and John C. Frazure and on which assurances the low rental figures offered by them were agreed to, and

Whereas following the occupation of their properties the War Department submitted leases which were arbitrarily drawn, were only for the period ending June 30, 1943, and were otherwise inconsistent with the promises and assurances of the War Department representatives and were told that the Government could not make a lease beyond the end of its fiscal year, but that the leases unquestionably would be renewed and that the leases must be signed or no rent would be paid for their properties, and

Whereas some considerable period following the occupation of their properties by the War Department, the owners were presented with statements of condition, attempting to describe the condition of their properties at the time of their leasing to the Government but which actually set out their purported condition many weeks after their occupation by newly inducted troops which, due to the confusion and haste of establishing the Army post, were unfamiliar with Army life and procedure and were largely undisciplined, and the said owners were obliged to accept such statements of condition as being proper and factual under penalty of foregoing any rental payments, and

Whereas due to the necessity of meeting mortgage interest, taxes, and other carrying costs, the said owners were forced to agree to accept said statements of condition, and

Whereas during the occupation of the hotels by the War Department the properties were not well kept, were subjected to abuse by untrained troops, and the owners, contrary to the provisions of their leases, were denied access to their properties, with the result that much irreparable damage was unchecked, and

Whereas following notice of relinquishment of the said hotels by the Government, Lt. Col. David G. Fitch was placed in charge of making settlements with

the said owners, and made offers of settlement which were unfair and inadequate to cover actual damage and loss to the said properties, and

Whereas the post engineer, Maj. T. H. McKey, Jr., who was in charge of preparing estimates of Army damage, permitted such estimates to be made by persons who were for the most part ignorant of hotel usage and maintenance and were therefore unqualified to make such estimates, or were incompetent, careless, and slipshod in their checking and making estimates of damage, thereby creating undue hardship and loss to the hotel owners, and

Whereas the said Major McKey permitted work of one kind or another to be done in the various hotels under his direction, which work was of poor quality and done with unsuitable materials and thereby destructive of property and values, making it necessary that hotel owners replace or correct same at their own expense without proper allowance therefor being made in final settlements, and

Whereas the said owners were denied proper access to their properties in order to determine the actual amount of damages sustained by Government occupation, and were forced under pressure to accept such offers as Lieutenant Colonel Fitch chose to make, which offers were arbitrary, were not based on equitable damage, and for which no explanation or basis for comparison with actual costs were offered or submitted by said Colonel Fitch, contrary to the direct orders of officials of the War Department, and to sign agreements releasing the Government from all future claims for damages undiscovered at the time of making the brief inspections permitted by the Army; and

Whereas the amounts paid in settlement or the work done by the Government in attempting to restore the occupied hotels have proved to be entirely inadequate and the hotel owners are and have been forced to spend many thousands of dollars to restore and rehabilitate their properties and in addition have suffered severe losses through inadequate rental payments, loss of business, disrupting of organizations, etc.: Now, therefore, be it

Resolved, That the St. Petersburg Hotel Men's Association hereby condemns the activities of the said Lt. Col. David G. Fitch and John C. Frazure in making the leases, and of Lieutenant Colonel Fitch and Maj. T. H. McKey, Jr., in making settlements as being unfair, un-American, and contrary to the established and announced principles and practices of the War Department and the United States Government; and

That the United States Government, through its War Department or through other established agency be hereby requested to investigate and ameliorate the conditions cited and brought about by said representatives of the War Department.

EXHIBIT 925

[Editorial, St. Petersburg Evening Independent, dated November 25, 1943]

ARMY HOTEL RENTALS

Recently we wrote an editorial on the complaints of St. Petersburg hotel men at prices paid by the Government for restoring their properties. Without taking sides on a matter we were not qualified to investigate exhaustively, we expressed the hope that the Government would not stand on the letter of its contract if it should appear that clear injustice had been done in some cases. And we believe that cases of unintentional injustice did exist.

Now we have a few more facts relating to that situation.

In the first place, adjustments of the sort we have in mind have been made in some instances, showing that some complaints, at least, were not without foundation; and that the Government, in at least some cases, was trying to settle matters equitably.

We have also gone through one large hotel which had been put in excellent shape by the Government, suggesting that hotel owners who asked for cash settlements rather than restoration may have been unwise. (On the other hand, a sloppy job of restoration was done for at least one smaller hotel.)

One of the most interesting bits of information that has come our way on this subject, however, indicates that St. Petersburg hotel owners were paid average prices lower than the Army paid elsewhere. Since that is the case, it is not surprising that our hotel men should be disposed to make an issue of restoration.

In the report of the Joint Congressional Committee on Reduction of Nonessential

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Federal Expenditures, figures are given for the 18 cities in which hotels were leased for the Army. There were complete figures, however, for only five cities, as follows:

	Hotels	Rooms	Capacity	Annual rent
Atlantic City.....	47	10,689	31,285	\$4,125,692
Miami Beach.....	347	23,460	74,976	5,743,495
Des Moines.....	3	684	2,143	135,000
Daytona Beach.....	47	2,092	5,320	311,620
St. Petersburg.....	85	6,236	15,413	891,604

The following analysis, based on this list, shows how much a room and how much a man was paid in each of these cities. (These figures are based on the rated capacity of rooms, and do not allow for overcrowding.)

	Room	Man
Atlantic City.....	\$386	\$131
Miami Beach.....	245	77
Des Moines.....	197	63
Daytona Beach.....	149	59
St. Petersburg.....	143	58

In other words, St. Petersburg hotels averaged less annual rental, whether figured by the room or by the man, than any other of the five cities. And Daytona Beach, which had the next lowest figure, is also complaining.

Note, too, that hotels in Atlantic City, which is clearly less suitable than St. Petersburg as an Army training center, were paid more than twice as much.

So it is evident that if there are more complaints from St. Petersburg and Daytona Beach than elsewhere, there is a reason.

EXHIBIT No. 926

STATE OF FLORIDA,

County of Pinellas, ss:

Before me, the undersigned authority, on this 26th day of July A. D. 1943, appeared Niel W. Upham, who, being duly sworn, deposes and says that he is secretary-treasurer of the Melrose Investment Co., a corporation under the laws of Florida, which corporation is the fee owner of the Royal Palm Hotel, a six-story building containing 94 rooms and 84 baths, and located in the city of St. Petersburg; that the Royal Palm Hotel was built and opened for business in 1924, the building and furnishings costing \$300,000; that the hotel enjoyed a business which gave it an annual operating profit, or profit before taxes, insurance, and interest of between \$20,000 and \$22,000 per year; that the average of such operating profits for the 5 years prior to the hotel's being leased to the United States Army Air Forces was \$20,269.43; that on or about March 25, 1942, he discussed on several occasions the need of the Army Air Forces for such facilities as the Royal Palm Hotel afforded with David G. Fitch, then a captain in the Corps of Engineers; that he was told by Captain Fitch that the rent which the Army could pay for the Royal Palm Hotel could not exceed \$12,500, and that figure would include the cafeteria space occupied on the ground by a tenant at an annual rental of \$2,500; that the rental to be paid for the hotel proper could not exceed \$11,500; and that for the cafeteria space would be but \$1,000; that the annual rental to be paid by the Army could cover taxes, mortgage, interest, insurance, and exterior maintenance, and that no depreciation could be allowed as is permitted under the income-tax laws or interior maintenance computed, since the Army would undertake to restore the hotel at the expiration of any occupation thereof by the Army to its condition at the time of entering upon the property, subject, perhaps, to ordinary hotel wear and tear;

That on June 23, 1942, on behalf of his corporation he executed an option for lease at which time the then Major Fitch attempted to reduce the minimum figure of \$12,500 to \$11,500, excluding the cafeteria portion of the building, telling him again it would be unnecessary to figure anything for interior maintenance

or for furniture maintenance, since the building and its furnishings would be restored at the expiration of Army occupancy to their original condition; that since the figure of \$11,500 was not sufficient to cover the items of taxes, insurance, mortgage interest, an exterior maintenance allowance of \$600 and storage charges for such furnishings as the Army did not wish to use, slightly in excess of \$600, or in all a total of \$11,664.04, he had insisted the hotel could not be leased for such an amount and that it was then agreed that the figure of \$12,500 as discussed in March would obtain, but that the Melrose Investment Co. would have to make arrangements to give the Army possession of the cafeteria space when desired; that in agreeing to accept the minimum figure of \$12,500 that he did so with the understanding given him by Major Fitch that the Army required not less than 60 square feet of floor space per man housed and that the capacity of the Royal Palm Hotel under such circumstances would not exceed 190 men and that even if the assurances which had been made that the Army would restore the property at the expiration of its tenure, were not carried out to the fullest extent, that the wear and tear on the property would not be too excessive; that in the several days following the 23d of June he was in and out of the offices occupied by Major Fitch and his staff in his capacity as agent for the owners of the Mount Vernon Hotel, a 72-room and 72-bath modern hotel built in 1938; that he was instructed by Major Fitch to assure the owners, which he did over the telephone to their summer residence in Minnesota, that the rent offered for their property, the figure of \$12,000, was a fair return, and that in their agreeing to accept such a figure they need have no worry as to the interior condition thereof, since at the expiration of the Army's tenure the property would be turned back to them in as good condition as when it was turned over to the Army; that while he was in Major Fitch's offices he heard John C. Frazure, an assistant to Major Fitch, who had a part in negotiating leases between the Army and the owners of hotels at Miami Beach, on a number of occasions assure the owners that "their properties would be returned to them at the end of the Army's occupation in as good condition, if not better condition, than at the time the Army took them";

That in an effort to assist the owners of the Seneca and the Butler Arms Hotels, he took Major Fitch to inspect both properties, and that on examination of them by Major Fitch, who paced off several of the rooms in both properties, Major Fitch stated that the maximum use made by the Army of those properties would be but 2 soldiers in each room, and not more than 1 soldier in some of the smaller rooms; that on the basis of such assurances he recommended to the owners of the 2 hotels that they accept the rental offered as being in line with that offered for other properties; that subsequently during the occupation by the Army of the various hotels in St Petersburg, he had been in the Royal Palm on a number of occasions and that contrary to the assurances mentioned the Army had placed an average of 3 double-decker bed in each room and in some instances had removed the single beds, which the owning corporation had been requested to leave, so as to be able to house more men in the hotel; that on the occasion of one visit to the hotel he had been told by one of the privates that up until a day or two previous there had been as many as 450 men housed in the building; that in his capacity as agent for the Mount Vernon Hotel he had been in that building on a number of occasions and that a similar use was made of double decker cots to the extent that a much more intensive use was made of the property than was contemplated by the owners at the time of leasing; that he had also been in the Seneca Hotel and had seen 3 double-decker beds accommodating 6 men in rooms which Major Fitch had told him would accommodate but 2 men at the most;

That early in August he learned that in all probability the Army would not make use of the cafeteria facilities of the Royal Palm Hotel building and that Major Fitch wished to reduce the rental figure to \$11,500; that he told Major Fitch over the telephone that as the hotel's representative he could not agree to such a reduction and that thereupon Major Fitch asked him to call at his office and discuss the matter with him; that several days previous, not having had any word from the Army as to their intention of occupying the hotel, he had written Major Fitch informing him he had to attend a stockholders' and directors' meeting of a corporation founded by his late father and in which his family held a controlling interest; that in view of the imminent use of the hotel by the Army he had requested an adjournment of the annual meeting of the corporation to be held in Duluth, Minn., originally in June to the 22d of August, and that it was necessary for him to be in Duluth on that date; that he made several attempts to meet with Major Fitch but that he was unable to do so before leaving for Minnesota; that

on his return from the north he called at the leasing office and discussed the proposed lease with Morris Spooner, chief negotiator, and that after the briefest discussion a lease was drawn up for the Royal Palm Hotel at an annual figure of \$12,500, not including the cafeteria portion of the hotel building; that at the time the lease was presented he remarked that section C of paragraph 6 and paragraph 8, the former defining wear and tear on carpets and the latter calling simply for structural restoration of occupied property, were not in accordance with the assurances under which he had advised his associates to lease the Royal Palm Hotel to the Government and had advised the owners of several other properties to do likewise, but he was told by Mr. Spooner that despite such provisions the property would be restored by the Government;

That he was informed by Mr. Spooner that the lease was the standard form required by the Government, that the Government would consent to no other lease or to provisions other than those already incorporated, but that the owners could depend upon the assurances already made as to the reconditioning of their properties; that on the basis of such assurances he and the president of the Melrose Investment Co. had executed the lease;

That about the time of its occupancy by the Army, he had had occasion to visit the Mount Vernon Hotel and that in so doing he had encountered therein I. E. L'Honmedieu and G. B. Magonigle who were inspecting and making a survey of the property preparatory to making up a statement of condition; that on that occasion he had been asked by Messrs. L'Honmedieu and Magonigle how old a property the Mount Vernon was; that he had replied that it was 5 years old, whereupon both men commented that its condition was such that they would not have supposed it to be over a year old; that he had replied that civilian seasonal use of resort hotels was such that there was necessary a minimum of redecoration and of replacements; that nevertheless the condition report prepared by Messrs. L'Honmedieu and Magonigle stated categorically with respect to the Mount Vernon, "wood surfaces partially marred and soiled. Plaster surfaces partially soiled. Nails in plaster walls. Venetian blinds partially worn and soiled"; that the condition report prepared on the Royal Palm Hotel was similar in tenor; that the owners of the Mount Vernon had been reluctant to accept and sign the report submitted by the Army since they did not feel it reflected accurately the condition of the building as they knew it to have been and as the Army inspectors found it to have been from their query as to its age, but that they did finally accept the report since they were told that unless they did so no rent would be paid for the property;

That as the representative of the Royal Palm Hotel, he had protested likewise the accuracy of the condition report, the main portion of which was prepared on August 29, 16 days after several hundred servicemen had first been barracked in the building and none of which had been prepared earlier than a week after the men had been barracked therein; that he had been told by one of the privates who had been in the group which had been housed in the Royal Palm Hotel on August 13, that during the first 2 or 3 weeks of their occupancy there had been little or no supervision of the men, little or no effort made to keep their quarters clean, little if any discipline enforced, and that undoubtedly those conditions were reflected in any report the Army had made as to the conditions of the hotel itself; that on making inquiry at the office of the post engineers as to the harshness of the report, he was told by one of the staff that such reports were for the protection of the Government and that a freshly varnished floor on which one foot had been placed would be described as "worn and soiled"; that he was also told that unless the report were signed that no rent would be paid for the premises; that he did sign the Statement of Condition subject to the following comment which was made a part of the report: "The Statement of Condition is based on various inspections of the property made on August 20, on August 29, on September 14, and on October 16, 1942, and reflects conditions as those dates. It cannot properly indicate condition of the property as of August 13, 1942, the date several hundred servicemen were barracked in the building. Without question some deterioration of the property occurred during the 16 days between the time of occupancy and August 29, the date of the principal inspection, and for which allowance should ultimately be made.";

That the Royal Palm Hotel was evacuated in late May or early June, at the beginning of the rainy season, and that all of the windows in the hotel which had been left open by the soldiers, were permitted to remain open for fully 24 or more hours thereafter, during which time there were several hard showers;

that one window in room 501 or room 601 had been broken at the time the building was vacated and that he had called the fact that it was broken and that the condition was such as to let rain beat into the hotel, to the post engineers' office, but that the window was not replaced for several days; that on June 19, learning of the decision of the War Department to surrender their leases on St. Petersburg hotels, he had as secretary-treasurer of the Melrose Investment Co., notified Lt. Col. David G. Fitch that the owning corporation would expect the Government to "make full and complete restoration of the leased premises and/or the basic furniture included therein in accordance with the general and implied provisions of the original lease," it being his understanding that unless such a demand were made under paragraph 8 of the lease at least 20 days prior to the expiration of the lease that the Government would automatically escape all liability for restoration of any kind to the leased premises; that on June 24, he was called on the telephone at his residence at 8:30 in the morning and asked how soon he could be ready to go through the Royal Palm Hotel with Colonel Fitch to check its condition looking toward either a cash settlement by the Army for Army damages or toward restoration by the Government; that the time set was 30 minutes later and that on the morning of June 24 at 9 a. m. he met Colonel Fitch at the Royal Palm Hotel; that he was not prepared to take anyone with him to check damage the property had undergone, but that Colonel Fitch had 10 members of his staff with him; that they entered the hotel, and deciding to check the rooms, beginning with the sixth floor, he and Colonel Fitch and the 10 members of his staff went to room 600, whereupon the statement of condition or condition report was read by 1 member of Colonel Fitch's staff, and as the representative of the owning corporation he was required to make examination of the room and its furnishings, to note all defects other than those included in the condition report and to call them to the attention of Colonel Fitch, who then instructed one of his staff, a stenographer, to make note of such comments; that after examining room 600 and room 601 he had been obliged to tell Colonel Fitch that it was going to be impossible to make a check of the rooms and of the furnishings with 12 people crowding into each room, and that as a result it was decided to check the room condition first and to make a second survey of the furniture, whereupon the number of those accompanying Colonel Fitch was reduced to 6 so that at no time in the survey of the condition of the hotel and its rooms were less than 8 people going into each room; that as the owner's representative he found it necessary in order to be able to see anything at all to go ahead of the others insofar as he was able to do so; that in the afternoon he and several members of Colonel Fitch's staff checked the furnishings;

That in checking over the furnishings he differed strongly with Colonel Fitch as to the usability of mattresses, all of which were innerspring, which had been wet on and soiled, or dragged on the floors, or slit for the purpose of hiding liquor or valuables;

That on the following morning, June 25, in response to a telephonic request from Colonel Fitch he went to his office at 10 a. m.; that Colonel Fitch asked him if he had his estimate ready of the damages done by the Army to the Royal Palm Hotel; that he had had to reply that to have done so would have been impossible since he had not had an opportunity to take a contractor into the hotel, or to have a mattress man or a furniture repair man check so as to advise him; that Colonel Fitch had told him in reply that in all probability to take any technical advisers into the hotel would be unnecessary since the post engineers' staff had checked over everything which the Army considered damage caused by its men over and above ordinary barracks wear and tear, and that he, Colonel Fitch, was sure that as the representative of the owning corporation, he would be thoroughly satisfied with such estimates and the offer which the Army was prepared to make; that Colonel Fitch stated that all of the hotels at Daytona Beach which had been occupied by the WAAC's had been returned to their owners and that in each instance the owners had been thoroughly satisfied with the cash offered them and that he considered the amount which the Army would pay for the damage done to the Royal Palm as fairly owed was the total of \$810; that on his statement that the amount necessary to rehabilitate the mattresses would run close to the total offered, Colonel Fitch had replied that the figure would include an amount for the purchase of slip covers which he seemed to feel were a suitable substitute for cleaning and for reticking the mattresses; that Colonel Fitch made no suggestion looking toward the elimination of odors

from damaged mattresses; that he had told Colonel Fitch that he considered such a figure as \$810 was entirely inadequate and that he would like to revisit the hotel and to call in such men as could advise him.

That Colonel Fitch made arrangements for him to make such inspection that afternoon, and that following same he estimated that it would cost approximately \$9,500 to reopen the hotel and to do the things which would be necessary to restore it to full earning power; that such estimates were based upon the necessity of recovering of all but one of 66 mattresses and the renewing of inner-spring units and of material in certain of them, upon the necessity of redecorating every wall in a room in order to match those walls which had been marred by Army occupancy and the posting of bulletins upon the walls, the removal of which had taken the paint with the posters; upon the necessity of sanding every floor in the building, with the exception of the halls which were carpeted, since the floors had all been marked with the carbon black used in the soles of shoes issued to the service men and since the use of strong scrubbing soap had removed all varnish and other protection from the floors; upon the necessity of using strenuous means to clean up the tile floors in the bathrooms which were also marred by carbon black from the G. I. shoes; upon the necessity of painting all woodwork which had been soiled and all doors which had been damaged in having been removed and stacked; upon the necessity of replacing a large number of window shades, the Army having removed them without care and dumped them in the room in which the doors were stored; upon the necessity of replacing some 758 inches of veneer which had been broken off various dressers; upon the necessity of redoing all furnishings in order to make those which were damaged or used but slightly correspond in condition to those which of necessity had to have considerable restoration; upon the necessity of replacing sheets and pillow cases which had been sold the Army at figures very much higher; and upon various other items such as cleaning, setting up, etc.;

That on the following day, June 26, he advised Colonel Fitch the offer of \$810 was entirely inadequate and that he felt a great many items had been overlooked in surveying the damage done by the Army; that Colonel Fitch had agreed to make another survey on the morning of Sunday, June 27, and that he had done so, permitting him to take with him E. N. Staples, contractor, and Charles R. Keddie, formerly manager of the hotel; that during the course of the survey Colonel Fitch would agree that the Army would redecorate one wall in a room, or perhaps two walls, and in one instance all four walls, but that on estimating the amount of work which he would agree to, it was possible to determine that the damaged walls so conceded and other items would not cost over \$300 to redecorate and that any settlement figure which might be offered would not exceed \$1,100 to \$1,200 and that such a figure would not be reached if the original offer of \$810 included any of the thus conceded work; that accordingly, on June 28, in the company of L. W. Baynard, president of the Melrose Investment Co., he informed Colonel Fitch that since his contemplated compensation did not provide for but a fraction of the inevitable expense of reopening the hotel, that it appeared the only course to follow would be to permit the post engineer to make such restoration as he felt necessary and for the owning corporation to rehabilitate the hotel and enter such claim for damages as it found then; that Colonel Fitch told Mr. Baynard and himself that if the post engineer did to any work that he would do no painting and would do nothing whatever to the floors;

That subsequently on July 1, Mr. Baynard had come to him and told him that Edgar B. Busbee, one of Colonel Fitch's staff, had called him, told him that since negotiations with the undersigned had not been successful, it might be possible for satisfactory arrangements to be made covering such damages as it was felt the property had sustained with Mr. Baynard; that he had told Mr. Baynard to negotiate with Colonel Fitch and Mr. Busbee, and to do whatever he could to expedite matters; that on July 2 at 12:45 o'clock, Mr. Baynard had phoned him from the post engineers' office and had shortly thereafter come to his office to say that after a conference of nearly 2 hours, the Army had offered a cash consideration of \$2,100 and had agreed to include as a part of the settlement \$100 in fuel oil which was in the hotel's storage tank, provided the offer were accepted immediately; that he had demurred on arriving at a hurried decision and that it was agreed that no reply would be made to the offer until it could be carefully considered; that no reply was made to it until July 6, when Mr. Baynard and he called on Mr. Busbee in Colonel Fitch's office and told him that the figure was not satisfactory and unacceptable; that on that occasion Mr. Busbee had stated in his estimation it would require fully \$7,000 to restore the Royal Palm Hotel following Army occupancy but that he nevertheless did not

feel the Government would be responsible for any amount in excess of \$2,200; that either on that occasion or on a previous occasion, Colonel Fitch had told him that when he first entered and looked over the Royal Palm Hotel prior to going into the matter with the undersigned, he had been struck with consternation but that he had returned to his office and had examined the condition report referred to above and had "felt better."

That on July 7 Colonel Fitch had sent Mr. Baynard a telegram, a copy of which was mailed the undersigned, stating that the Army intended to proceed with the restoration of the Royal Palm and demanding that representatives of the corporation call at his office and make such exception as might be wished to the restoration program; that on July 8 following a meeting of the board of directors of the Melrose Investment Co., a written request was made that a copy of the Government's "restoration program" be given to the corporation for its approval or disapproval, in whole or in part; that no restoration program was submitted by the post engineer or by Colonel Fitch and no further request was made of the corporation for specifications looking toward restoration of the hotel; that on July 9 Mr. Baynard informed him that in discussing the matter with Mr. Busbee, the latter had told him that possibly the Army would increase its cash offer to the Royal Palm Hotel to \$2,500; that after discussing the matter further Mr. Baynard and the undersigned had decided that the figure of \$2,500 imposed too great a proportion of expense on the hotel and that figure was short some \$4,600 of the slightly more than \$7,000 of necessary expense which was attributable to Army occupancy;

That since July 10 or 12 the post engineer had been attempting to restore the Royal Palm Hotel and that on July 22 Colonel Fitch and Major MacKey, post engineer, had invited Mr. Baynard and him to make a preliminary inspection of the work being done; that they found that the post engineer had painted one or more walls in rooms and had left the other walls undone regardless of its condition as a result of Army use, using as an excuse that the condition report stated the plaster was "cracked" or "paint peeling" on the undone wall at the time the condition report was made; that they found the post engineer was using a high gloss varnish instead of the semigloss varnish which has been used throughout the hotel in the past, and had varnished a strip around the edges of each room, leaving the center untouched and to be covered by rugs; that the preparation of the floors prior to varnishing was such that the varnish was "rolling" or "pulling" in certain of the rooms and was not adhering to the wood floor; that the work on the floors in general was such that it would be necessary for the owning corporation to remove all work done by the Army and to sand the floors and revarnish them, and that the post engineer was so advised; that otherwise the quality of the work being done was good as far as it went.

Then in conclusion he would state that while the settlements which have been made by Colonel Fitch have been more liberal, such as the settlement of \$3,625 made with the owner of the 50-room Seneca, this amount to cover walls, baths, and furnishings since the Seneca floors are concrete and carpeted, the settlements are still such as to place too heavy a burden on the hotel owners who willingly turned over their properties at heavy losses to themselves, destroyed their going businesses, all for the purposes of aiding the war effort; that unless more adequate settlements are made it would appear that several hotel owners will be unable to rehabilitate their properties and reengage in business and that they will be forced to lose their savings of a lifetime.

NIEL W. UPHAM.

Sworn to and subscribed before me this 26th day of July A. D. 1943.

[SEAL]

M. ANNIE McRAE,

Notary Public, State of Florida at Large.

My commission expires December 1, 1944.

EXHIBIT No. 927

STATE OF WEST VIRGINIA,

County of Wood, ss:

Personally appeared before the undersigned, a notary public in and for the State and county aforesaid, George M. Nicholson, who, being duly sworn according to law, deposed and said:

That he and his wife, Elizabeth D. Nicholson, are the owners of the Seneca Hotel property located at 545 Second Avenue South, St. Petersburg, Fla. That this property was acquired by them in 1940 and that considerable money was spent in redecorating and refurbishing it, resulting in an investment in the property of in excess of \$100,000.

That in the summer of 1942 the owners were approached by Army representatives with a view to leasing the property to the Army and an offer of \$3,125 annual rent was made by these representatives. That this was not considered by the owners sufficient rent and the Army representatives were so notified. Their reply was that this amount was the best and only offer that would be made and if it was not accepted, the Army could and would condemn the property and occupy it anyway. As good citizens the owners wanted to do anything they could to further the war effort and even though it meant donating the use of the property for the duration, or as long as the Army wanted it, they executed the lease.

That the interest on the indebtedness on the property; the taxes and insurance thereon, and the owners' part of the maintenance expenses consumed practically all the rent paid by the Army, leaving nothing to the owners for the use thereof. Furthermore, the Army quartered in this property an average of five men to a room whereas the owners were told at the time the lease was executed that less than half that number would be housed in each room, as each man had to have a certain amount of air space, etc. Considering the number of men housed and the fact that this property is open in normal times only 6 months of the year, the year's occupancy by the Army represented as much wear and tear as 10 years of normal use would. No consideration whatever was made by the Army for any depreciation or wear and tear on the property and furnishings.

That the owners realize that each and everyone of us should make whatever sacrifices that are necessary in this time of war, yet it does not seem right that our Government should spend money so freely in many instances and be so miserly in the matter of renting quarters for the Army personnel.

That the owners are fully aware of the fact that they probably have no legal redress in this matter but do want the proper parties to know how and on what basis the authorities negotiating the leases for the Army secured them. The further fact that in addition to donating the use of this property, the owners have been required to spend \$5,123.74 of their own money to recondition it is being made the subject of another affidavit.

GEORGE M. NICHOLSON.

Subscribed and sworn to before me this 12th day of January 1944.

[SEAL]

ELOISE PARSONS,
Notary Public as Aforesaid.

- My commission expires August 9, 1953.

STATE OF WEST VIRGINIA,

County of Wood, ss:

Personally appeared before the undersigned, a notary public in and for the State and county aforesaid, George M. Nicholson, who, being duly sworn according to law, deposed and said:

That he and his wife, Elizabeth D. Nicholson, own the Seneca Hotel property located at 545 Second Avenue South, St. Petersburg, Fla. That this property was, pursuant to lease dated August 24, 1942, occupied by the United States Army from August 17, 1942, to July 19, 1943, when the property was turned back to the owners.

That on or about July 6, 1943, the affiant was notified at Parkersburg, W. Va., by telephone and telegram from the Army officer in charge that the hotel was then vacated and ready for settlement as soon as the affiant could come to St. Petersburg. That the affiant went to St. Petersburg on July 11, 1943, and beginning the next day had several conferences with the representatives of the Army. After spending about 10 days inspecting the property and conferring with various Army representatives, the affiant did not feel that he could afford to spend any more time in negotiations, and as he was desirous of getting the property back so it could be put in shape for the coming season, he accepted the best offer he could secure from the settlement officer.

That he felt when this settlement, amounting to \$3,625, was made that it was insufficient to restore the property to a rentable condition for regular business. That this has proven to be true as the following has been spent on the property in order to put it in condition for regular usage:

Painting and decorating building and furniture-----	\$3,596.80
Repairs to interior of building-----	815.43
Repairing furniture, mattresses, and springs-----	899.50
Cleaning and repairing carpets-----	397.19
Replacement of furniture-----	252.75
Replacement of carpets-----	825.23
Miscellaneous supplies and expense in putting hotel in condition for normal usage-----	1,961.84
Total-----	8,748.74

That the above does not include any allowance for the many hours of time and the arduous labor of the affiant and his wife and the manager and his wife, especially the latter three, in getting the establishment in condition for the resumption of regular business.

That the affiant fully realizes that a settlement has been made and the owners probably have no legal claim against the Government, but when it is considered that the property was leased to the Government on a nonprofit basis, it does not seem fair that the owners should be required to give up the use of their property, lose the business they had built up over a period of years, and then be forced to stand an actual money loss of \$5,123.74 to pay for damages done by the Army.

GEORGE M. NICHOLSON.

Subscribed and sworn to before me this 12th day of January 1944.

[SEAL]

ELOISE PARSONS,
Notary Public as aforesaid.

My commission expires August 9, 1953.

EXHIBIT No. 928

STATE OF FLORIDA,

County of Pinellas, ss:

Before me, the undersigned authority on this 7th day of January A. D. 1944, appeared Niel W. Upham, who being duly sworn, deposes and says that he is secretary and treasurer of the Melrose Investment Co., which corporation owns the Royal Palm Hotel, located at 112 Fifth Street South in the city of St. Petersburg; that the said hotel was occupied by the United States Army Air Forces beginning in August 1942 until some time in June 1943; that he attempted to negotiate a settlement for damages done to the said hotel with Lt. Col. David G. Fitch, who offered first the sum of \$810 as being a proper settlement for Army damage and who subsequently increased his figure to \$2,100 and agreed to leave fuel oil which was located in the premises of an approximate value of \$100 in addition; that he was told by Edgar B. Busbee, who conducted some of the discussion looking toward a cash settlement that, in his opinion, an opinion evidently based on figures made by the post engineer, it would cost between \$6,000 and \$7,000 to repair Army damage, but that he was also told by Mr. Busbee that the offer of \$2,100 and the fuel oil was the highest cash settlement he was authorized by the said Lt. Colonel Fitch to offer; that subsequently the post engineer attempted to restore the premises and in spite of repeated requests the said post engineer refused permission to him and other officers of the owning corporation to enter the property; that following the return of the keys to the owning corporation, it had been necessary to spend a total of \$9,113.61 to repair Army damage only in the hotel, said expenditure covering the repairing of soiled mattresses, the repairing of and replacing of broken and missing furnishings, the complete sanding of all bedroom floors, the complete repainting or refinishing of all woodwork, parts of which had been painted by the post engineer, and the repainting of most of the walls and ceilings which had been partially and poorly painted by the post engineer; that he had been unable to obtain a settlement from the War Department, but has been obliged to lay the matter before it.

NIEL W. UPHAM.

Sworn to and subscribed before me this 7th day of January A. D. 1944.

[SEAL]

M. ANNIE McRAE,
Notary Public.

My commission expires December 1, 1944.

EXHIBIT No. 929

HOTEL POINSETTIA
St. Petersburg, Fla.

Received from United States Government-----	\$9,000.00
PAID OUT	
R. M. Knox-----	2,254.50
The amount represents payment for damages for a part of the hotel which was leased from Mr. Knox by Miss Lowe and occupied by the Army.	
Furniture storage-----	700.00
At the request of the Army, all overstuffed furniture, draperies, valuable antiques, bric-a-brac, etc., was removed. This furniture was placed in a warehouse which rented for \$50 per month for 14 months.	
Moving van and cartage-----	317.40
Moving the above-mentioned furniture to and from warehouse.	
Paint, paper, and labor-----	4,441.45
Work done to interior of building, bedrooms, halls, etc	
Royal Rug Co-----	665.91
At the request of the Army, all rugs were removed from the hotel, moth-proofed, stored, and laid as originally.	
Electric repairs-----	926.23
The wiring in the building had been pulled out and cut, especially from the sockets in the baseboards and which was not apparent from inspection and was not disclosed until an attempt was made to open the hotel. The same condition existed with reference to ceiling fixtures, they being dismantled and destroyed and had to be replaced.	
Furniture repair-----	757.93
To repair damage to furniture which was returned to owner by Army, broken, and in very bad condition.	
Roof repair-----	61.50
One month prior to Army occupying hotel, the roof had been repaired and was in perfect condition. After released by Army inspection revealed that the roof had been damaged by men walking on it. Necessary repairing and recovering with normal roofing material.	
Thomas F. Ballum (safe)-----	55.00
Army lost combination to safe, which could not be opened by expert. Therefore it was necessary to purchase a small second-hand safe.	
Plumbing repairs-----	493.41
Much of this damage was not discovered upon first inspection. The repairs were made by Lee Scheffield, licensed plumber.	
Julius Johnson (new front and lobby repairs)-----	1,596.18
The Army turned the hotel property leased by them back to the owners, R. M. Knox and Florence Lowe, in August 1943. The Hotel Poinsettia prior to Army occupation was operated as one unit by the combination of a lease by R. M. Knox to Florence Lowe, which unit was not the property which was reconditioned after its return by the Army. The joint properties after the Army ceased to occupy could not be operated as a unit because R. M. Knox, although compensated by the Army (see item \$2,254.50) did not rehabilitate his property. Properties then became separate units and having no access to adjoining property all fire doors were closed and fire walls on property were built, leaving the Lowe property without an entrance, depriving owner of access to her hotel and rooms above. As a hotel it therefore became useless and necessitated a street-level entrance being cut through and small lobby of approximately one-eighth the size of the original lobby.	
Pinellas Lumber Co-----	31.50
For lumber, material for replacement of shelving in closets.	
Knox Stores-----	27.42
For paint, hardware, putty, etc.	

HOTEL POINSETTIA—Continued

PAID OUT—continued

Peninsular Telephone Co.----- \$91. 50
 Reinstallation of switchboard and reinstallation of room tele-
 phones removed by the Army.

Total ----- 12, 419. 93

UNPAID

J. C. Anderson, balance of account due for painting----- 1, 700. 00
 Wilson Mattress Co., repairing box springs and broken beds----- 116. 50
 Renovating 130 mattresses, at \$10 each----- 1, 300. 00

Total ----- 3, 116. 50

Total cost of restoration services to hotel----- 15, 536. 43
 Received from United States Government----- 9, 000. 000

Deficit ----- 6, 536. 43

(Signed) FLORENCE LOWE.

Sworn to and subscribed before me this 14th day of January A. D. 1944.

N. W. UPHAM,

Notary Public, State of Florida at Large.

EXHIBIT No. 930

ST. PETERSBURG HOTELMEN'S ASSOCIATION,
 St. Petersburg, Fla., February 4, 1944.

MR. RUDOLPH HALLEY,

Executive Assistant to the Chief Counsel, the Truman Committee,
 Senate Office Building, Washington, D. C.

DEAR MR. HALLEY: I am enclosing corrected galley proof of the testimony offered the Truman committee at its hearing at Miami Beach on January 5. This testimony has been gone over carefully by Mr. Lester D. Goheen and the writer and the only changes necessary were on items which were confused in the offering or the taking down of testimony.

At the hearing in Miami Beach I offered affidavits from hotel owners as follows, leaving same with you:

Hotel	Settle- ment figure	Cost figure	Hotel	Settle- ment figure	Cost figure
Allison-----	\$8, 000	\$23, 802. 88	El Tovar-----	\$1, 500	\$2, 277. 34
Hollander-----	8, 846	14, 000. 00	Dusenberry-----	9, 360	17, 518. 74
Pennsylvania-----	9, 300	20, 811. 84	Edgewater Inn-----	6, 000	8, 612. 04
Hibiscus-----	1, 950	2, 500. 00	Beverly-----	4, 800	11, 503. 88
Wigwam-----	4, 500	6, 432. 43			
Morgan-Ten Eyck-----	1, 310	2, 433. 61	Total-----	58, 566	115, 678. 76
Gayfair-----	3, 000	5, 786. 00			

I herewith hand you statements as follows:

Hotel	Settle- ment figure	Cost figure	Hotel	Settle- ment figure	Cost figure
Poinsettia Hotel-----	\$9, 000	\$15, 536. 43	Albemarle-----	\$6, 650	\$10, 150. 00
Floronton-----	8, 800	17, 271. 24	Seneca-----	3, 625	8, 748. 74
Stanton-----	3, 250	4, 951. 06	Carmack Apartments-----	4, 500	8, 298. 00
Southmoor Apartments-----	1, 500	2, 500. 00	Royal Palm-----	100	9, 113. 61
Williams Apartment Hotel-----	2, 900	5, 677. 60			
Prather-----	1, 650	2, 250. 00	Grand total-----	100, 541	200, 175. 44

Yours sincerely,

NEIL W. UPHAM,
 Vice President.

EXHIBIT No. 931

BEVERLY HOTEL,
St. Petersburg, Fla., January 3, 1944.

TRUMAN COMMITTEE OF THE UNITED STATES CONGRESS.

GENTLEMEN: The Beverly Hotel, of St. Petersburg, Fla., which is owned by us, was under lease to the United States Army from July 24, 1942, to August 5, 1943. We do not believe we had fair and equitable treatment from the Army's representatives in the payment for damages done to this property while it was in their possession. As citizens and taxpayers we are appealing through you to the Congress of the United States for an adjustment of these damages. Even if it was not planned that way by the Army representatives, we were placed in a position where we were under extreme pressure, which is explained in the following enclosures, and did sign a release as to damages caused by the Army.

The Beverly Hotel was taken over by the Army in an emergency and did assist in training Army personnel. All statements in regard to the manner the Army came into possession of the hotel are given for the facts they contain and not in criticism. In a "war for existence," which our Government is now conducting for us, we realize that the rights of any private citizen must be cast aside and if he will not assist to the best of his ability, in doing his part whatever it might be, any rights that he has as a private citizen must be trampled under foot and ignored until the emergency is past. Nothing can be permitted to stop the progress, either at home or abroad, of our armed forces.

After the above training progress was completed and the troops were all moved out of St. Petersburg, we do criticize the manner of settlement for damages done as we do believe our Government desires to be equitable, and as nearly as is humanly possible pay all its citizens and taxpayers for damages done.

Attached hereto are the following exhibits which give a complete picture of the negotiating, leasing, and return of the Beverly Hotel by the Army:

A. An executed copy of an affidavit signed by H. M. Amsler, coowner of the Beverly Hotel, dated July 24, 1943. This affidavit was prepared and submitted to a representative of the Truman committee while in St. Petersburg on July 24, 1943.

B. An executed affidavit dated January 4, 1944, and signed by H. M. Amsler, co-owner of the Beverly Hotel.

B-1. Specifications and bid of E. N. Staples, general contractor, of St. Petersburg, Fla.

C. Copy of original option for lease, occupation permit, and photostatic copy of lease with affidavit attached.

D. An executed affidavit with explanations showing a detailed restoration cost for the Beverly Hotel, signed by H. M. Amsler and L. D. Goheen, coowners, and dated January 4, 1944.

E. Picture and pamphlet concerning Beverly Hotel.

F. Copy of letter dated July 14, 1943, regarding Beverly Hotel restoration cost, received by H. M. Amsler from L. D. Goheen, with affidavit attached. This was necessary to bring Mr. Amsler up to date in regard to the Beverly Hotel as he had been serving full time without pay as a temporary commissioned officer in the United States Coast Guard.

Respectfully yours,

BEVERLY HOTEL,
By H. M. AMSLER,
Owner.
L. D. GOHEEN,
Owner.

Exhibit A

STATE OF FLORIDA,
County of Pinellas, ss:

I, Henry M. Amsler, being duly sworn, depose and say that Henry M. Amsler and Jean W. Amsler, his wife, and L. D. Goheen and Hannah M. Goheen, his wife, are coowners of the Beverly Hotel, situated in St. Petersburg, Fla.; that since July 1942 this hotel has been occupied by the Air Corps of the United States Army, and has been used for the housing of enlisted personnel.

That during July 1942, at the time the negotiations for the leasing of the hotel to the Army were going on, I was in Pennsylvania and knew of these negotiations only through reports made to me by my coowner, L. D. Goheen. That these

negotiations were handled by Mr. Goheen, and the figure finally arrived at for a yearly rental of the hotel was based upon the county assessed valuation, and amounted to approximately 11 percent of that assessed value.

That it was understood, through statements made by representatives of the Army, prior to the entry into possession by the Army, that not more than 3 men would be, or could be, placed in a single room, because of health and sanitary reasons; however, subsequently from 8 to 10 men were placed in a single room in this hotel; inevitably causing excessive wear and tear on both the furnishings and the facilities.

The Army took possession of the hotel on July 24, 1942, before the formal lease had been executed. The formal lease was received by the owners from the Army on August 1, and all copies thereof were executed and returned to the Army on August 7. On September 23, 1942, the owners' copy of the lease was delivered to them, executed by the Army.

The owners had nothing to say in regard to the terms of the lease except as to the amount of the yearly rental and they did not understand, prior to the occupancy by the Army and the receiving of the lease subsequent to the occupancy, that the hotel was to be used as an ordinary barracks.

That statement of condition of lawns and landscaping was taken on July 23, 1942; statement of condition of plumbing equipment and inventory of furnishings was taken on July 29, 1942; statement of condition of oil-burning equipment was taken on August 14, 1942; statement of condition of electrical equipment was taken on October 7, 1942; and these statements were returned to the owners and signed by them on October 16 and 17, 1942. The signing of this condition report, as well as the lease, was made a condition of precedent to the payment of any money for rent by the Army; the first rent being received on October 27, 1942.

When the owners were notified that the Army would terminate the lease, seasonable notice was given in accordance with a provision of the lease calling for the restoration of the building and the furnishings. This notice for restoration was given on June 22, 1943.

A few days thereafter this affiant and his co-owner, L. D. Goheen, their contractors and supply men, together with a group of Army personnel—civil as well as military—made an inspection tour and survey of the building and furniture in the hotel. During the course of this survey, various demands or requests for specific items of restoration were made by L. D. Goheen, which demands were noted down by one of the Army personnel and no doubt has been now transcribed. Later, and on or about July 15, 1943, L. D. Goheen and I attended a conference; there being present the senior negotiator of the civilian personnel of the Army and Colonel Fitch. At the very beginning of this conference the Army representatives stated that they preferred to make a cash settlement rather than do the restoration work, and that they would like to arrive at a cash settlement figure in lieu of restoration by the Army itself.

At this conference a figure to be allowed for depreciation, to be charged against the owners, was arrived at. This figure was \$650. Either L. D. Goheen or I declared that we had come down there to the conference in a spirit of compromise; that we had leased the hotel as a matter of cooperation with the armed forces in the emergency, and that we had expected that we would take some loss in the restoration of the hotel, whether the settlement was made on a cash basis or by having the Army restore the hotel. We further stated that our motive in coming to the conference, and in making a decision whether to take a cash settlement or restoration by the Army, would be to decide which course of action would result in the least loss.

At this conference we exhibited and delivered to the representatives of the Army a copy of a detailed break-down of what our contractors and supply men had estimated it would cost to restore the building and the furniture to its condition at the time possession was taken by the Army. This itemization was based upon written bids submitted to us by various contractors and upon estimates for certain items where we were unable to obtain written bids. The estimates comprised approximately one-eighth of the total cost of restoration, which total cost of restoration was approximately \$8,600. Of this amount, the estimates which were based upon estimates alone and not upon written bids, approximated \$1,200.

After the representatives of the Army had obtained a copy of this break-down of the bids and estimates, we were informed by the senior negotiator that we would be allowed only \$3,000 in cash (less than 40 percent of the cost of restoration) in lieu of restoration, but that if we would accept the motors and thermostats in the heating system and the annunciator in their present condition, and recondi-

tion them ourselves, they would allow us an additional sum of either \$600 or \$650 for an immediate signing of a release, making a turn-key settlement on that basis.

Inasmuch as this turn-key cash figure amounted to approximately 40 percent of the amount it would cost the owners to restore the hotel, we refused to make an immediate decision and requested that we be given 48 hours to make up our minds. The Army allowed us until 3 o'clock of the following afternoon to decide which method we would accept; namely \$3,600 on a turn-key settlement, or restoration by the Army.

During this conference, after a discussion of our break-down of estimates and bids, we requested that we be furnished with a copy of the Army's estimate or break-down or some explanation of how the Army arrived at this figure and upon what factual basis its offer was made so that a comparison of the figures for each operation or item might be made a basis of a further attempt at arriving at a satisfactory figure of settlement. This most reasonable request was peremptorily refused; it being stated that it was contrary to Army regulations.

We returned to our office and, after a consultation and discussion with our legal advisor, L. D. Goheen called about 1:30 p. m. on the same day and informed the senior negotiator that we could not stand so great a percentage of the loss and therefore refused to settle on the terms offered and he was informed that the Army had a crew in town and would commence restoration that afternoon or the next day.

Subsequently Colonel O'Brien of the Headquarters Office of the Engineering Division of the Army held a conference with representatives of the local hotels on the afternoon of July 17, 1943. Present at that conference were Colonel Fitch, Colonel O'Brien, the senior negotiator, and other of the local personnel of the Army.

I understand that at that meeting Colonel O'Brien stated that the hotel owners were entitled to information as to the Army's figures, for comparison with the hotel owners' estimates and bids. As I understand it, for example, if our bid for refinishing the furniture was \$1,000, we were entitled to know the Army's figure for refinishing the furniture, or information that would permit us to arrive at the Army's figure. I also understood that the owners would be entitled to rent during the period of restoration by the Army and to have the time of restoration, if made by the owners, taken into consideration in the cash settlement.

Subsequently we had another conference with the senior negotiator on July 19, 1943, at 4 p. m., at his office in the Army Engineers Building. At this conference it was brought out that in arriving at their figure, the Army had only considered a one-coat paint job over the places where the plaster was destroyed; that is, a coat of flat white on these patches; covering those patches and the immediately adjoining woodwork with a coat of enamel. We stated that this would be a patch job and that there were no patch jobs in the painting of the hotel when the Army took possession, and there should be none now.

It also developed at this conference that the Army had not allowed anything in their figures for restoring the plumbing, the carpentry work, the plastering or rearranging the rooms.

The senior negotiator brought out that by reason of a change in the estimate of the Army engineers as to the time it would take to restore, that the Army would be in possession of the hotel several weeks longer than originally estimated and, after further consideration, they had raised their allowance for refinishing the furniture, which factors would permit the Army to increase its offer for a cash settlement to \$1,200 and the restoration by the Army of the two motors and thermostat on the heating equipment and the annunciator in the hotel proper. This figure is approximately 50 percent of our calculated cost of restoration. The Beverly Hotel was completely remodeled in 1938 at a cost of approximately \$25,000; approximately \$18,000 being spent in converting the dining room into bedrooms, adding baths to other rooms and other capital expenditures. Approximately \$7,000 of this \$25,000 was used for redecorating the balance of the hotel. During 1938 and 1939 the hotel was practically refurbished with new furniture, beds, mattresses, etc.

During this conference we asked for a break-down of the Army's estimates or figures so that we might try and arrive at a figure which would be agreeable to both parties on a give-and-take basis. We stated that it was our understanding from Colonel O'Brien's statement that this was to be the policy in the future. The senior negotiator said that he had not received any orders or instructions to that effect and it was not done. At all times the representatives of the Army

have refused to submit any memorandum or anything in writing which contained its offer of settlement.

The conference resulted in a suggestion by the senior negotiator that we get a general contractor to give us a total bid for restoration and he suggested that we have Mr. E. N. Staples, a general contractor of this city, give us a bid on the total job of restoration. We also thought this might be a good idea and, at the conclusion of the meeting, it was decided that we would get a general contractor to make a bid and, after receiving it, again meet with Mr. Busbee, the senior negotiator.

As soon as possible thereafter, I contacted Mr. Staples and arranged for him to give us a general bid for the work of restoring the hotel, which bid has not yet come to hand.

We have been in contact every day with Colonel Fitch's office and Mr. Staples and as soon as the bid is received, it is planned to have another conference between myself and the representatives of the Army Engineers' office.

At the present time L. D. Goheen is out of the city and as I am continuing negotiations I have made the foregoing statement and the same is true to the best of my knowledge, information, and belief.

H. M. AMSLER.

Sworn to and subscribed before me this 24th day of July A. D. 1943.

[SEAL]

MARY E. GARLAND, *Notary Public.*

My commission expires November 6, 1945.

Exhibit B

STATE OF FLORIDA,
County of Pinellas, ss:

I, Henry M. Amsler, being duly sworn, depose and say that Henry M. Amsler and Jean W. Amsler, his wife, and L. D. Goheen and Hannah M. Goheen, his wife, are owners of the Beverly Hotel, situated in St. Petersburg, Fla.; that I executed an affidavit dated July 24 A. D. 1943, which affidavit contained a brief history of the dealings between the owners of the Beverly Hotel and the representatives of the United States Army from the time of leasing up to and including the time of negotiations with the United States Army representative for the damages done while housing troops in this hotel.

That on the morning of July 24, 1943, Mr. E. N. Staples, a general contractor of this city, and I attended a conference with the United States Army officer in charge of making settlements for damages done.

At this conference I used as a basis for my figures submitted to Colonel Fitch, figures obtained from a bid of Mr. E. N. Staples, for repairing and painting the interior of the Beverly Hotel. A photostatic copy of this bid is included and is numbered exhibit B-1. The figures in pencil opposite the typewritten figures are the figures discussed by Colonel Fitch, Mr. Staples, and myself at the conference and I believe were the figures used in some manner by Colonel Fitch in arriving at the total damages. Whether a coincidence or not, the total of the pencil figures on the first page of this bid amount to approximately \$4,800, which was the amount of damages finally allowed by the United States Army representative.

At this conference, I agreed to accept \$4,800, and signed a release even though it represented only approximately 60 percent of our estimated damages, as I believed that the Army did not intend to pay us for the full amount of damages caused and that this was the best settlement it was possible for me to make. The Beverly Hotel is a winter tourist hotel and is only open for approximately 6 months of the year, namely, from November 1 to May 1; and is only full for approximately 3 months of the year, namely, January, February, and March. I believe that the representatives of the United States Army knew this condition and knew that if we intended to operate this hotel during the winter season of 1943-44, it would be necessary for us to start reconditioning of it at once and that unless we did start at once, it would be impossible for us to open the hotel for winter guests, which would result in our losing an entire year's business. Also, from available information, the hotels that the Army was reconditioning were very unsatisfactory and to place them in operating condition, the owners would be forced to do over considerable of the work, this again causing a delay in opening the hotel for tourist business even though the Army reconditioned

the hotel. So, in my mind, regardless of how this hotel was reconditioned, unless workmen were put to work immediately, we would lose a year's income. As general carrying charges remained the same whether the hotel was operated or not, and with a normal season, I believe that with the amount of money allowed us by the Army, plus the money received from operating the hotel, over and above the actual operating expenses and carrying charges, would place us in a better financial condition even though we suffered a material loss in settling for a sum which we knew was less than the actual damages, than to continue negotiations with the United States Army representatives and not have this hotel open for business during the winter season of 1943-44. In my mind, we chose the lesser of the two evils, a settlement of \$4,800 which was \$3,190.95 less than our general contractor's bid for repairs and painting of \$7,880.95.

I have made the foregoing statement and the same is true to the best of my knowledge, information, and belief.

HENRY M. AMSLER.

Sworn to and subscribed before me this 4th day of January A. D. 1944, at St. Petersburg, Fla.

[SEAL]

FRANCES A. GUNN,

Notary Public, State of Florida at Large.

My commission expires December 30. 1944.

Exhibit B-1

[Handwritten figures are shown in *italic*.]

ST. PETERSBURG, FLA., *July 26, 1943.*

Mr. AMSLER,

Agent and Coowner Property: Beverly Hotel.

DEAR SIR: At your request and according to your written instructions and specifications, I hereby submit estimate for repairs and painting to interior of the above-named hotel:

Papering sidewalls and ceilings of 62 bedrooms.....	\$1,004.40	\$620.00
Papering 3 lobbies and 3 hallways, not including main lobby ceiling and fourth floor ceilings.....	517.11	310.00
Painting:		
2 coats on woodwork, 75 bedrooms.....	856.00	700.00
2 coats on walls and trim, 47 bathrooms.....	564.00	376.00
1 coat emulsion paint walls and ceilings, 13 bedrooms.....	156.74	156.74
1 coat emulsion paint walls and ceiling, west hallway....	27.00	27.00
2 coats enamel woodwork, 3 lobbies and 3 hallways.....	232.00	232.00
Floor varnishing:		
2 coats border, 3 hallways and 3 lobbies.....	52.00	52.00
2 coats 2-foot border, 75 bedrooms.....	246.00	246.00
Furniture:		
Refinish all bedroom furniture.....	750.00	
Wicker furniture in lobby.....	25.00	
Porch furniture.....	40.00	
Folding chairs.....	20.00	
Wastebaskets.....	18.00	
		853.00
Plumbing: Repairs to be completed by Government, satisfactory to owner, including repairs to medicine cabinets.		No
Venetian blinds: Overhauling and placing in first-class condition 87 blinds Cartwell Co.....	498.00	250.00
Floor sanding: Floors to be sanded around edge approximately 2 feet, all bedrooms, 4½ per foot.....	630.00	630.00
Electrical work and fixtures including bulbs, fustats, signs, buttons, and annunciator system to be repaired satisfactory to owner by Government.		No
Mattresses: To be cleaned, repaired, and recovered according to estimate of Sanitary Mattress Co.....	414.00	414.00
Carpenter work: All doors to be checked, windows repaired, screen doors replaced and screens repaired satisfactory to owner by Government.		No

Plastering to be repaired where damaged-----	\$80.00	\$80.00
Cleaning all bathroom floors-----	42.00	42.00
Hardware to be cleaned, polished, and lacquered-----	39.00	39.00
Furniture to be replaced and hotel set up-----	750.00	
	<hr/>	
	7,114.95	161.00
Liability insurance and tax-----	162.00	
Contractor's fee-----	714.00	
	<hr/>	
Total cost as specified-----	7,990.95	
	138.70	
	<hr/>	
	8,129.65	

This estimate includes total cost of restoring hotel according to specifications furnished by agents of the hotel. Approximate time of completion, 120 days.
Respectfully submitted.

E. N. STAPLES, *General Contractor.*

Broken furniture, \$138.70.

STATE OF FLORIDA,

County of Pinellas, ss:

Before me, an officer duly authorized to administer oaths, personally appeared Harry Robbins, doing business as St. Petersburg Map & Blue Print Co. who, upon being duly sworn, states that the foregoing photostatic copy of bid submitted by E. N. Staples, general contractor, to Mr. Amsler, agent and coowner of Beverly Hotel, is a true copy of the original bid.

HARRY ROBBINS, *Affiant.*

Sworn to and subscribed before me this 3d day of January A. D. 1944, at St. Petersburg, Fla.

[SEAL]

FRANCES A. GUNN,

Notary Public, State of Florida at Large.

My commission expires December 30, 1944.

BEVERLY HOTEL—SPECIFICATIONS

1. PAPERING

Side walls and ceilings of 62 bedrooms; three lobbies and three hallways, not including main lobby ceiling or fourth floor hall ceiling or bedroom ceilings, fourth floor.

Grade of wallpaper to be the same or equal to grade with net cost to contractor of 35 cents per roll (cost mentioned to be after he has taken his 33½ percent discount. Paper for ceiling to cost 15 cents per roll under above-mentioned conditions. Design of paper to be selected by owner.

2. PAINTING

Two-coat woodwork trim job, 75 bedrooms.

Two-coat job complete, 47 bathrooms.

One-coat cold-water paint, side walls, ceiling, 13 bedrooms on first floor.

One-coat cold-water paint, side wall and ceiling, first floor west end hallway.

Two-coat enamel job all woodwork and trim on three lobbies, three hallways.

Refinishing and enameling of medicine chests where rusty and scratched.

Paint to be first grade Lowe Bros. or equivalent.

3. FLOOR VARNISHING

Two-coat 2-foot border, three hallways, three lobbies.

Two-coat 2-foot border, 75 bedrooms.

Varnish to be Lowe Bros. first grade or equivalent.

4. FURNITURE

Refinishing all furniture, materials and labor, including dressers or chests, bedroom chairs, night tables, beds, porch chairs, wicker lobby furniture, folding chairs, wastepaper baskets, card tables. This item is also to include the cleaning and/or reupholstering when and where necessary, as well as renovating upholstered seat cushions of certain chairs.

5. PLUMBING

Replace and repair plumbing; also furnishing glass shelves for medicine cabinets where needed.

6. VENETIAN BLINDS

Overhauling and placing in first-class operating condition including replacing of slats, cords, tapes of the 87 blinds.

7. FLOOR SANDING

Labor and material for sanding the floors. Approximately 2-foot border in all rooms which can be more accurately determined by inspection at hotel. Amount of bid on a square-foot basis.

8. ELECTRICAL WORK AND FIXTURES

Furnishing materials consisting of light fixtures, where broken; lamp bulbs, where missing; fustats and adapters in light panels, first floor, second floor, third floor, fourth floor.

Furnishing labor for the following: First floor—repairs to Neon sign circuit; cleaning and repairing light fixtures in lobby, sunroom, writing room, hall, apartment, bedrooms, toilets, and baths. Second floor—Cleaning and repairing light fixtures in bedrooms, toilets, baths, stairs, and hall. Third floor—Same as second. Fourth floor—Same as second floor.

Annunciator system—Furnishing wire, push buttons, and transformers; furnishing labor necessary to repair annunciator system replacing push buttons where missing and putting system again in working order.

9. MATTRESSES

Repairing and recovering and cleaning mattresses as required. Same to be placed in first-class condition.

10. CARPENTER WORK

Inside checking doors and windows and general repair.

11. PLASTERING

Plastering work—labor and material.

12. BATHROOMS

Cleaning 28 bathroom tile floors.

13. DOOR HARDWARE

Cleaning, polishing, and lacquering.

This bid to cover complete restoration of the Beverly Hotel, including the placing of furniture as instructed by the owner, the setting up of beds with mattresses and springs, with the following exceptions:

"Laying of carpets and placing of rugs in the lobby and all other carpets."

The time element must be given serious consideration, since it is desired to have this hotel opened for the usual time of business, therefore, you will specify the time required to do the above work. Your forfeiture for every day required by you to fulfill the contract over the above-mentioned time shall be -----.

The officers of the Army have stated that they have recommended to the Office of Price Administration the granting of the necessary priorities required to do the above work. To the best of our knowledge, no definite answer has yet been received from the Office of Price Administration.

The terms of payment shall be 10 percent of all estimates will be held back until final settlement; 25 percent of the 90 percent payable when the contract is one-fourth complete; 25 percent when contract is half complete; 25 percent when it is three-fourths completed.

BEVERLY HOTEL INVENTORY

July 3, 1943.

We certify that all articles of furniture in the Beverly Hotel as inventoried this date are identical with the original inventory date July 27, 1942, with the exception of the following, which are missing or broken. This inventory does not cover the physical condition of the hotel property, but is merely a count of the actual number of articles therein.

MISSING

One rocker—arm chair, cane back, and seat.
One rocker—arm chair, cane back.
One ash stand.

BROKEN

Eleven rockers—arm chair, cane back, and seat—broken backs, seats, arms, and rockers.

Two rocking chairs—fiber, arm broken.

One straight chair—fiber.

One straight chair—broken beyond repair.

One straight chair—broken seat.

Two straight chairs—broken legs.

Five straight chairs—broken backs.

Five Venetian blinds—one blind rope broken, three will not operate, one slat broken.

One table—wood, two drawers—veneer stripped off partly, 30 by 60 inches.

One chair—swivel, spring broken.

Seven card tables—broken beyond repair.

LESLEK Co.,

By L. D. GOHEEN.

J. C. VIGAL,

Captain, Air Corps,

Property Officer, Sixty-second Wing.

STATE OF FLORIDA,

County of Pinellas, ss:

We swear that we have examined this statement; that it is made in good faith; and that to the best of our knowledge and belief all entries made herein and contained in this schedule and statement attached, and made a part hereof, are true, correct, and complete.

L. D. GOHEEN,

Cowowner, Beverly Hotel.

H. M. AMSLER,

Cowowner, Beverly Hotel.

Sworn to and subscribed before me this 4th day of January A. D. 1944, at St. Petersburg, Fla.

[SEAL]

FRANCES A. GUNN, Notary Public.

My commission expires December 30, 1944.

Exhibit C

OPTION FOR LEASE

It is understood that the signing of this option on the part of the owner does not in any way indicate the desire of the Government for possession. The commanding officer of the using arm will prepare a formal notice of acceptance of the option, if and when the Government desires occupancy.

In consideration of the sum of One Dollar (\$1.00) and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the undersigned, hereinafter called the "Lessor," who represents that he is the Owner (Lessee) of the property hereinafter described, hereby, for himself (itself) and his (its) heirs, executors, administrators (successors), and assigns, offers and agrees to lease (sublease) to the United State of America, hereinafter called the "Government," in accordance with the terms and conditions set forth below, the land, with the buildings and improvements thereon and all rights and appurte-

nances thereto, described as follows: Beverly Hotel, located at 100 Second Street North, St. Petersburg, Florida. (Legal description to be inserted in formal lease.)

The terms of this offer are as follows:

1. The rental for the described property shall be \$9,700.00 per annum for the period (See Par. 8) 1942, to June 30, 1943, plus an additional sum in payment of the following articles, equipment, and contents of the said hotel, viz, sheets pillowcases, shower curtains, price to be determined upon inventory, such articles named becoming the property of the Government. Such additional sum shall be determined by negotiation between the parties and inserted in the lease when drawn. The annual rental after June 30, 1943, shall be \$9,700.00.

2. Lessor agrees to furnish, as part of the rental consideration, basic furniture now in the hotel, such as beds, springs, mattresses, pillows, dressers, tables, chairs, blankets; kitchen equipment, including chinaware, silverware, glassware, but excluding drapes, bed spreads, mirrors, pictures, bric-a-brac, antiques, and lobby rugs. The Commanding Officer of the using arm will determine what furnishings shall remain as part of the leased premises.

3. Lessor agrees that occupancy by the Government of the above-mentioned premises (including furniture, rugs, and other equipment) as a housing facility will be consistent with that of normal hotel usage and will waive all claims for damage excepting such damage attributable to negligence and exceeding fair wear and tear.

4. Lessor will maintain and keep in good condition the exterior and roofs of all structures in and upon the premises included in this option and further warrants that the mechanical equipment upon said premises, including plumbing, is in good repair.

5. It is understood that the Government shall have the right to cancel a lease for aforementioned premises with 30 days' written notice, should this option be exercised.

6. The Lessor shall continue to maintain such insurance upon the above-mentioned premises as ordinarily carried under normal conditions.

7. Lessor will upon request immediately execute the War Department Standard Form No. 2 Lease, in compliance with War Department procedure, and in accordance with Army Regulations, to include the provisions contained in this option for lease.

8. Date of lease to be date of occupancy.

This 10th day of July 1942.

H. M. AMSLER AND L. D. GOHEEN D/B/A LESLER Co. (not inc.),
By L. D. GOHEEN.

Signed in presence of—

JOHN C. FRAZURE.

ESTELLE H. SPARKS.

OCCUPATION PERMIT

STATE OF FLORIDA,

County of Pinellas.

In contemplation of the execution of a lease agreement dated between the undersigned and the United States of America and in consideration of the sum of One Dollar (\$1.00) and other valuable consideration, the receipt whereof is hereby acknowledged, the undersigned, hereinafter called the owner, grants to the United States of America, hereinafter called the Government, a permit for the occupation of the premises described below, upon the following terms and conditions:

1. The owner hereby represents that he is vested with fee simple title to the premises hereinafter described.

2. The owner hereby grants to the overnment an irrevocable right to enter upon the premises heerinafter described at any time from the date of this instrument, for the purpose of housing and/or feeding personnel, to store supplies or for other military purposes provided for in the proposed lease, the said right of entry being for the full and complete occupation of the premises described.

3. This permit includes the right of ingress and egress on other lands of the Owner not described below, provided such ingress and egress is necessary and not otherwise conveniently available to the Government.

4. All tools, equipment, and other properties placed upon the land by th Government shall remain the property of the Government and may be removed by the Government at any time.

5. Full possession in accordance with the terms above will be available, should the Government elect to exercise the option as of 8:00 a. m. o'clock, July 10, 1942.

6. The Government shall have the right to patrol and police the premises during the period of this instrument.

7. In the event of the proposed lease should not be consummated, the compensation of the Owner for the occupation of said premises by the Government shall be handled as a claim for damages in accordance with AR 30-1430. However, if the proposed lease is consummated, the owner hereby waives and releases any and all claims for damages arising from the activity or inactivity of the Government, its officers, agents, employees, representatives or assigns on said premises, in the reasonable exercise of the occupation permit.

8. The premises affected by this permit are located in the State of Florida, County of Pinellas, and are more particularly described as follows:

Beverly Hotel, located at 100 Second Street North, St. Petersburg, Florida. (Legal description to be inserted in formal lease.)

Witness the hand and seal of the Owner, this 10th day of July 1942.

H. M. AMSLER AND L. D. GOHEEN D/B/A LESLER Co. (not Inc.)
L. D. GOHEEN.

Witness:

JOHN C. FRAZURE.
ESTELLE H. SPARKS.

LEASE BETWEEN H. M. AMSLER AND JEAN W. AMSLER, HIS WIFE, AND L. D. GOHEEN AND HANNAH M. GOHEEN, HIS WIFE, AND THE UNITED STATES OF AMERICA

1. THIS LEASE, made and entered into this 1st day of August in the year one thousand nine hundred and forty-two by and between H. M. AMSLER and JEAN W. AMSLER, his wife, and L. D. GOHEEN and HANNAH M. GOHEEN, his wife, whose address is 416-18 Hall Building, St. Petersburg, Florida, for themselves, their heirs, executors, administrators, successors, and assigns, hereinafter called the Lessor, and THE UNITED STATES OF AMERICA, hereinafter called the Government:

WITNESSETH: The parties hereto for the considerations hereinafter mentioned covenant and agree as follows:

2. The Lessor hereby leases to the Government the following-described premises, viz:

East twenty (20) feet of the South sixty-three (63) feet of Lot 13 and the South sixty-three (63) feet of Lots fourteen (14), fifteen (15), and sixteen (16), Block twenty-one (21), according to the revised map of St. Petersburg, State of Florida, recorded in Plat Book 1, Page 49 of the Public Records of Hillsborough County, of which county Pinellas County was formerly a part; together with all appurtenances thereto and improvements thereon, said improvements being known as Beverly Hotel, 1st Avenue and 2nd Street, North, to be used exclusively for the following purposes (see instruction No. 3): Air Corps Housing and other National Defense Requirements of the War Department.

3. To HAVE AND TO HOLD the said premises with their appurtenances for the term beginning and ending with July 24, 1942, June 30, 1943.

4. The Government shall not assign this lease in any event, and shall not sublet the demised premises except to a desirable tenant, and for a similar purpose, and will not permit the use of said premises by anyone other than the Government, such sublessee, and the agents and servants of the Government, or of such sublessee.

5. This lease may, at the option of the Government, be renewed from year to year at a rental of NINE THOUSAND SEVEN HUNDRED DOLLARS (\$9,700.00) per annum and otherwise upon the terms and conditions herein specified, provided notice be given in writing to the Lessor at least thirty (30) days before this lease or any renewal thereof would otherwise expire: Provided that no renewal thereof shall extend the period of occupancy of the premises beyond six months after the termination of the present emergency.

6. The Lessor shall furnish to the Government, during the occupancy of said premises, under the terms of this lease, as part of the rental consideration, the following:

(a) Basic furniture now in the hotel including beds, springs, mattresses, pillows, dressers, tables, chairs, and blankets, but excluding drapes, bed spreads, mirrors, pictures, bric-a-brac, antiques, and lobby rugs.

(b) Lessor agrees to sell to the Government shower curtains, such articles becoming the property of the Government and upon purchase price therefor being paid such items shall be deducted and withdrawn from the inventory of the contents of the hotel. The items so purchased are shown on schedule attached to Owners' Warranty, which warranty and schedule are attached hereto and made a part hereof.

(c) It is understood and agreed that carpets and rugs, if any, contained in the hotel are to be considered similarly to furniture insofar as ordinary wear and tear is concerned and that the Government will not restore carpets and rugs except when damage thereto is greater than ordinary wear and tear; that the use which the Army makes of the carpets by using the hotel as a barracks is ordinary wear and tear as understood herein and comparable with civilian hotel usage.

(d) Lessor warrants that the mechanical equipment upon said premises, including plumbing, is in good repair.

7. The Government shall pay the Lessor for the premises rent at the following rate: NINE THOUSAND SEVEN HUNDRED DOLLARS (\$9,700.00) per annum for the period July 24, 1942, to June 30, 1943, and in addition thereto the further sum of \$44.55, to be paid on August 31, 1942, such payment being in addition to the regular rental payment falling due on that date. Payment shall be made at the end of each calendar month by the Finance Officer, U. S. A., Fort McPherson, Atlanta, Georgia.

8. The Government shall have the right, during the existence of this lease, to make alterations, attach fixtures, and erect additions, structures, or signs, in or upon the premises hereby leased (provided such alterations, additions, structures, or signs shall not be detrimental to or inconsistent with the rights granted to other tenants on the property or in the building in which said premises are located); which fixtures, additions, or structures so placed in or upon or attached to the said premises shall be and remain the property of the Government and may be removed therefrom by the Government prior to the termination of this lease, and the Government, if required by the Lessor, shall, before the expiration of this lease or renewal thereof, restore the premises to the same condition as that existing at the time of entering upon the same under this lease, reasonable and ordinary wear and tear and damages by the elements or by circumstances over which the Government has no control, excepted: Provided, however, that if the Lessor requires such restoration, the Lessor shall give written notice thereof to the Government twenty (20) days before the termination of the lease.

9. The Lessor shall, unless herein specified to the contrary, maintain the roof and exterior of said premises in good repair and tenantable condition during the continuance of this lease, except in case of damage arising from the act or the negligence of the Government's agents or employees. For the purpose of so maintaining the premises, the Lessor reserves the right at reasonable times to enter and inspect the premises and to make any necessary repairs thereto.

10. If the said premises be destroyed by fire or other casualty this lease shall immediately terminate. In case of partial destruction or damage, so as to render the premises untenable, either party may terminate the lease by giving written notice to the other within fifteen days thereafter, and if so terminated no rent shall accrue to the Lessor after such partial destruction or damage.

11. No Member of or Delegate to Congress or Resident Commissioner shall be admitted to any share or part of this lease or to any benefit to arise therefrom. Nothing, however, herein contained shall be construed to extend to any incorporated company, if the lease be for the general benefit of such corporation or company.

12. This lease or any renewal thereof may be cancelled by the Government at any time by giving Lessor 30 days' written notice of its intention so to do.

13. The Lessor shall continue to maintain such insurance upon the above-mentioned premises as is ordinarily carried under normal conditions.

14. Immediately after the consummation of this lease representatives of the Lessor and the Government shall make a joint survey and inventory setting forth the furnishings and equipment generally described in Para. 6 hereof.

15. The sum of \$44.55 mentioned in Para. 7 includes full compensation to Lessor for shower curtains mentioned in Para. 6 (b), such becoming the property of the Government: CHANGES BEFORE EXECUTION: Para. 9 amended; paras. 12, 13, 14, and 15 added.

IN WITNESS WHEREOF, the parties hereto have hereunto subscribed their names as of the date first above written.

H. M. AMSLER,
JEAN W. AMSLER,
L. D. GOHEEN,
HANNAH M. GOHEEN,
Lessor.

In presence of:

BEN W. PHILLIPS,
Clarion, Pa.

UNITED STATES OF AMERICA,
By JOHN E. HOLLIMAN,
1st Lt., C. of E., Purchasing and Contracting Officer.

The supplies and services to be obtained by this instrument are authorized by, are for the purpose set forth in, and are chargeable to Procurement Authority ENG 30349 P 331-05 A 0905-23. The available balance of which is sufficient to cover cost of same.

(If Lessor is a corporation, the following certificate shall be executed by the secretary or assistant secretary.)

I, _____, certify that I am the _____ Secretary of the corporation named as Lessor in the attached lease; that _____, who signed said lease on behalf of the Lessor, was then _____ of said corporation, that said lease was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

[CORPORATE SEAL] _____

INSTRUCTIONS TO BE OBSERVED IN EXECUTING LEASE

1. This standard form of lease shall be used whenever the Government is the lessee of real property; except that when the total consideration does not exceed \$100 and the term of the lease does not exceed 1 year the use of this form is optional. In all cases where the rental to be paid exceeds \$2,000 per annum the annual rental shall not exceed 15 per centum of the fair market value of the rented premises at the date of lease. Alterations, improvements, and repairs of the rented premises by the Government shall not exceed 25 per centum of the amount of the rent for the first year of the rental term or for the rental term if less than 1 year.

2. The lease shall be dated and the full name and address of the lessor clearly written in paragraph 1.

3. The premises shall be fully described, and, in case of rooms, the floor and room number of each room given. The language inserted at the end of article 2 of the lease should specify only the general nature of the use, that is, "office quarters," "storage space," etc.

4. Whenever the lease is executed by an attorney, agent, or trustee on behalf of the lessor, two authenticated copies of his power of attorney, or other evidence to act on behalf of the lessor, shall accompany the lease.

5. When the lessor is a partnership, the names of the partners composing the firm shall be stated in the body of the lease. The lease shall be signed with the partnership name, followed by the name of the partner signing the same.

6. Where the lessor is a corporation, the lease shall be signed with the corporate name, followed by the signature and title of the officer or other person signing the lease on its behalf, duly attested, and, if requested by the Government, evidence of his authority so to act shall be furnished.

7. Under paragraph 6 of the lease insert necessary facilities to be furnished, such as heat, light, janitor service, etc.

8. There shall be no deviation from this form without prior authorization by the Director of Procurement, except—

(a) Paragraph 3 may be drafted to cover a monthly tenancy or other period less than a year.

(b) In paragraph 5, if a renewal for a specified period other than a year, or for a period optional with the Government is desired, the phrase "from year to year" shall be deleted and proper substitution made. If the right of renewal is not desired or cannot be secured paragraph 5 may be deleted.

(c) Paragraph 6 may be deleted if the owner is not to furnish additional facilities.

(d) If the premises are suitable without alterations, etc., paragraph 8 may be deleted.

(e) Paragraph 9 provides that the lessor shall, "*unless herein specified to the contrary, maintain the said premises in good repair, etc.*" A modification or elimination of this requirement would not therefore be a deviation.

(f) In case the premises consist of unimproved land, paragraph 10 may be deleted.

(g) When executing leases covering premises in foreign countries, departure from the standard form is permissible to the extent necessary to conform to local laws, customs, or practices.

(h) Additional provisions, relating to the particular subject matter mutually agreed upon, may be inserted, if not in conflict with the standard provisions, including a mutual right to terminate the lease upon a stated number of day's notice, but to permit only the lessor so to terminate would be a deviation requiring approval as above provided.

9. When deletions or other alterations are permitted specific notation thereof shall be entered in the blank space following paragraph 11 before signing.

10. If the property leased is located in a State requiring the recording of leases in order to protect the tenant's rights, care should be taken to comply with all such statutory requirements.

STATE OF FLORIDA,
County of Pinellas.

I HEREBY CERTIFY, That on this day personally appeared before me, an officer duly authorized to administer oaths and take acknowledgments, L. D. GOHEEN and HANNAH M. GOHEEN, his wife, to me well known to be the person described in and who executed the foregoing lease, and acknowledged before me that they executed the same freely and voluntarily for the purposes therein expressed.

AND I FURTHER CERTIFY, That the said HANNAH M. GOHEEN, known to me to be the wife of the said L. D. GOHEEN, on a separate and private examination taken and made by and before me, separately and apart from her said husband, did acknowledge that she made herself a party to said lease for the purpose of renouncing, relinquishing, and conveying all her right, title, and interest, whether dower, homestead, or of separate property, statutory or equitable, in and to the lands described therein, and that she executed the said lease freely and voluntarily and without any compulsion, constraint, apprehension or fear of or from her said husband.

WITNESS my hand and official seal at St. Petersburg, County of PINELLAS, and State of FLORIDA, this 1st day of August A. D. 1942.

[SEAL]

G. B. SOUTHERLAND,
Notary Public, State of Florida.

My commission expires Feb. 17, 1943.

COMMONWEALTH OF PENNSYLVANIA,
County of Clarion.

I HEREBY CERTIFY, That on this day personally appeared before me, an officer duly authorized to administer oaths and take acknowledgments, H. N. AMSLER and JEAN W. AMSLER, his wife, to me well known to be the person described in and who executed the foregoing lease, and acknowledged before me that they executed the same freely and voluntarily for the purposes therein expressed.

AND I FURTHER CERTIFY, That the said JEAN W. AMSLER, known to me to be the wife of the said H. N. AMSLER, on a separate and private examination taken and made by and before me, separately and apart from her said husband, did acknowledge that she made herself a party to said lease for the purpose of renouncing, relinquishing, and conveying all her right, title, and interest, whether dower, homestead, or of separate property, statutory or equitable, in and to the lands described therein, and that she executed the said lease freely and voluntarily and without any compulsion, constraint, apprehension or fear of or from her said husband.

WITNESS my hand and official seal at County of CLARION, and Commonwealth of PENNSYLVANIA, this 7th day of August A. D. 1942.

[SEAL]

BEN W. PHILLIPS,
Notary Public, Commonwealth of Pennsylvania.

My commission expires at the end of next Session of Senate.

OWNER'S WARRANTY

The attached schedule contains a list of Personal Property in the Beverly Hotel (H. M. Amsler and Jean W. Amsler, his wife, and L. D. Goheen and Hannah M. Goheen, his wife), located at First Avenue and Second Street North, St. Petersburg, Fla., the quantities of which are hereby warranted as being in said premises and surrendered and sold to the United States of America, in accordance with the attached lease.

It is also further represented that all merchandise being sold to and purchased by the United States of America under the terms of their Lease is the sole property of the Lessor and that the Lessor has full ability, right, and power to sell the same and to receive payment direct from the Government, unless otherwise stated hereon: that all representations on the part of the Lessor as to the ownership of merchandise described in Paragraph 12 of said Lease are embodied hereon. Owner agrees that upon payment of purchase price for the articles listed hereon, such shall be deducted from the inventory of the contents of the hotel.

L. D. GOHEEN,
Lessor of Premises.

Subscribed and sworn to before this 1st day of August 1942.

[SEAL]

L. B. SOUTHERLAND,
Notary Public, State of Florida at Large.

My commission expires Feb. 17, 1943.

STATE OF FLORIDA,
County of Pinellas, ss:

Before me an officer duly authorized to administer oaths personally appeared Harry Robbins, d/b/a St. Petersburg Map and Blue Print Co., who, upon being duly sworn, states that the foregoing photostatic copy of Lease between H. M. Amsler and Jean W. Amsler, his wife, and L. D. Goheen and Hannah M. Goheen, his wife, and The United States of America, is a true copy of the original lease.

HARRY ROBBINS, *Affiant.*

Sworn to and subscribed before me this Third day of January A. D. 1944, at St. Petersburg, Florida.

FRANCES A. GUNN,
Notary Public, State of Florida at Large.

My Commission Expires Dec. 30, 1944.

LINEN INVENTORY
BEVERLY HOTEL
1ST AVENUE & 2ND STREET NORTH
St. Petersburg, Florida

45 Shower Curtains, @ \$1.65-----	\$74.25
Present market value-----	44.55

HEADQUARTERS ARMY AIR FORCES REPLACEMENT TRAINING CENTER
OFFICE OF THE POST ENGINEER
St. Petersburg, Florida

AUGUST 8, 1942.

CORPS OF ENGINEERS, UNITED STATES ARMY,
Office of Real Estate Project,
St. Petersburg, Fla.

With reference to the lease by U. S. Government of the Beverly Hotel, 100 2nd Street North, St. Petersburg, Fla., on the inventory the oil was included in error.

This oil is being purchased by the Government and it should therefore be removed from the inventory.

This letter is your authority to so do.

T. H. MCKEGAN,
Post Engineer, Captain, Corps of Engineers.

Approved:

LESLEA CO. (not Inc.),
By L. D. GOHEEN,
Owner.

Beverly Hotel, July 27, 1942

FIRST FLOOR

Room No.	Beds, metal	Beds, wood	Mattresses	Springs	Pillows	Highboys	Dressers	Desks	Straight chairs	Upholstered chairs	Wood rockers	Blankets	Sheets	Pillow cases	Mattress pads	Shower curtains	Venetian blinds	Waste baskets	Ash stand	Assorted tables	Carpets	Night tables, 15 by 15 inches	Glass tops	Fire extinguishers	Vanity dressers
64	1		1	1	1		1		2			1			1		2	1							
63	2		2	2	2		1					2			2		1	1							
65	2		2	2	2		1					2			2		1	1							
62	2		2	2	2		1		1			2			2		1	1							
66	2		2	2	2		1		1			2			2		1	1							
61							1		1								1	1							
67	2		2	2	2		1		1		1	2			2		1	1				1			
5	1		1	1	1		1		1		1	1			1		1	1							
8	2		2	2	2		1		2			2			2		1	1				1			
4	1		1	1	1		1		1		1	1			1		2	2							
69	2		2	2	2		2		2		2	2			2		2	2							1
70	2		2	2	2		1		1		2	2			2		1	1							
3							2		1		1						4								
2	2		2	2	2		1		1		2				2		1						3		
Hall																									
1	2		2	2	2	1	1		2		2				2		2	1				1			
Total	21	2	23	23	23	10	15	6	17		1	23			23		22	13				3		3	1

FLOOR: SECOND

Room No.	Basic furniture										Linen				Miscellaneous									
	Beds, metal	Beds, wood	Mattresses	Springs	Pillows	Highboys	Dressers	Desks	Straight chairs	Upholstered chairs	Wood rocker	Blankets	Sheets	Pillowcases	Mattress pads	Shower curtains	Venetian blinds	Waste baskets	Ash stand	Assorted tables	Carpets	Night tables, 15 by 15 inches	Glass tops	Fire extinguishers
27	2		2	2	2	1	1	1	2			2			2		2	1						
26	2		2	2	2	1	1	1	2			2			2		1	1						
25	2		2	2	2	1	1	1				2			2		1	1						
24	2		2	2	2	1	1	1				2			2		1	1						
23						1	1	1									1	1						
22						1	1	1									1	1						
21							1	1	1								1	1						
20						1	1	1	1								1	1						
19	2		2	2	2	1	1	1	1		2	2			2		2	1				1		
18	1		1	1	1	1	1	1	1		1	1			1		2	1						
17	1		1	1	1	1	1	1	1		1	1			1		1	1						
16	1		1	1	1		1	1	1		1	1			1		1	1						
15						1	1	1									1	1				1		
14							1	1	1								1	1						
13							1	1			1						1	1						
12							1	1									1	1						
11							1	1									1	1						
10						1	1	1									1	1						
9	2		2	2	2	1	1	1	2			2			2		1	1						
Total	15		15	15	15	9	19	17	15		1	15			15		22	19				2		

FLOOR: SECOND. SHEET NO. 1. DATE: JULY 27, 1942

Room No.	Basic furniture										Linen			Miscellaneous										
	Beds, metal	Beds, wood	Mattresses	Springs	Pillows	Highboys	Dressers	Desks	Straight chairs	Upholstered chairs	Wood rocker	Blankets	Sheets	Pillowcases	Mattress pads	Shower curtains	Venetian blinds	Waste baskets	Ash stand	Assorted tables	Carpets	Night tables, 15 by 15 inches	Glass tops	Fire extinguishers
8.....	2		2	2	2	1	1	1	2			2			2		1	1						
7.....	2		2	2	2	1	1	1							2		1	1						
6.....						1	1	1									3	1						
Hall.....							1												1					2
Total.....	4		4	4	4	3	4	3	2			4			4		5	3		1				2

FLOOR: THIRD. SHEET NO. 1. DATE: JULY 27, 1942

50.....							1	1									2	1							
49.....							1	1									1	1					1		
48.....						1	1	1									1	1							
47.....	2		2	2	2	1	1	1	2			2			2		1	1							
46.....	2		2	2	2	1	1	1	2			2			2		1	1							
45.....							1	1	2								1	1							
44.....	1		1	1	1		1	1				1			1		1	1							
43.....							1	1	1								1	1							
42.....	2		2	2	2	1	1	1	2			2			2		1	1							
41.....							1	1	1								2	1							
40.....	1		1	1	1		1	1	1			1			1		2	1							
39.....	1		1	1	1		1	1	1			1			1		1	1							
38.....	1		1	1	1		1	1	1			1			1		1	1							
37.....							1	1	1								1	1							
36.....							1	1									1	1							
35.....	1		1	1	1			1	1			1			1		1	1							
34.....	1		1	1	1	1	1	1	1			1			1		1	1							
33.....							1	1	2								1	1							
32.....	2		2	2	2	1	1	1	2			2			2		1	1							
Total.....	14		14	14	14	7	19	18	19			14			14		22	19					1		

FLOOR: THIRD. SHEET NO. 2. DATE: JULY 27, 1942

31.....	2		2	2	2	1	1	1	2			2			2		1	1							
30.....							1	1	1								1	1							
29.....	2		2	2	2	1	1	1	2			2			2		1	1							
28.....	2		2	2	2	1	1	1	2			2			2		2	1							
Hall.....							1												1						2
Total.....	6		6	6	6	4	5	4	7			6			6		5	4		1					2

FLOOR: FOURTH. SHEET No. 1. DATE: JULY 27, 1942.

75.....							1	1	2								1	1		1					
77.....	1		1	1	1	1	1	1	1			1			1		1	1							
76.....	2		2	2	2		1	1	1		1	2			2		1	1							
74.....	1		1	1	1	1	1	1	1			1			1		1	1							
73.....	1		1	1	1			1	1			1			1		1	1							
72.....							2	1									1	1							
71.....	2		2	2	2		2	1	1		1	2			2		1	1							
69.....	2		2	2	2		2	1	2			2			2		2	1							
70.....							2	1	1		1						1	1							
68.....	2		2	2	2		2	1	2			2			2		1	1							
67.....							2	2	1								1	1							
66.....	2		2	2	2		2	2	1			2			2		1	1							
65.....							2	2	1								1	1							
64.....							1	1									2	1							2
Hall.....							1	1																	2
Total.....			11	11	11	1	19	13	12		4	11			11		1	13		1					2

Owner's storage—Rooms 56, 76, 71, 51, and 60.

Made by First Lt. William R. Humphrey, A A F; supervised by First Lt. Jasper B. Smathers, A A F approved by Lesler Co., by L. D. Gohsen.

LINEN; 45 SHOWER CURTAINS.

OIL; 129 GALLONS No. 2.

EXHIBIT D

Cost of restoration of Beverly Hotel

	Estimate	X	Actual cost
Papering:			
Sidewalls and ceilings—62 bedrooms.....	\$1,004.40	\$620.00	-----
3 lobbies and 3 hallways, not including main lobby ceiling and fourth floor ceilings.....	517.11	310.00	1 \$657.80
	1,521.51	910.00	-----
Painting:			
2 coats on woodwork—75 rooms.....	856.00	700.00	-----
2 coats on walls and trim 47 bathrooms.....	564.00	376.00	-----
1 coat emulsion paint walls, 7 ceilings and 13 bedrooms.....	156.74	156.74	-----
1 coat emulsion paint walls and ceiling west hallway.....	27.00	27.00	-----
2 coats enamel woodwork 3 lobbies and 3 hallways.....	232.00	232.00	-----
Floor varnishing:			
2 coats border 3 hallways and 3 lobbies.....	52.00	52.00	-----
2 coats 2-foot border, 75 bedrooms.....	246.00	246.00	-----
	2,133.74	1,789.74	2,217.31
Furniture:			
Refinish all bedroom furniture.....	750.00	750.00	-----
Wicker furniture in lobby.....	25.00	25.00	-----
Porch furniture.....	40.00	40.00	-----
Folding chairs.....	20.00	20.00	-----
Waste baskets.....	18.00	18.00	-----
	853.00	853.00	800.90
Plumbing: Repairs to be completed by Government, satisfactory to owner, including repairs to medicine cabinets.....			2 534.05
Venetian blinds: Overhauling and placing in first-class condition 87 blinds—Cartmell Co.....	498.00	250.00	498.00
Floor sanding: Floors to be sanded around edge, approximately 2 feet, all bedrooms—.04½ per foot.....	630.00	630.00	3 376.44
Electrical work: Electrical work and fixtures including bulbs, fustats, signs, buttons, and annunciator system to be repaired satisfactorily to owner by Government.....			4 254.14
Mattresses: To be cleaned, repaired, and re-covered according to estimate of Sanitary Mattress Co.....	414.11	414.00	5 176.00
Carpenter work: All doors to be checked, windows repaired, screen doors replaced, and screens repaired satisfactorily to owner by Government.....			6 655.04
Plastering: Plastering to be repaired where damaged.....	80.00	80.00	7 447.83
Miscellaneous:			
Cleaning all bathroom floors.....	42.00	42.00	(5)
Hardware to be cleaned, polished, and lacquered.....	39.00	39.00	(9)
Furniture to be replaced in rooms and hotel set-up.....	750.00		10 750.00
General common labor.....			11 2,579.09
Replacement of broken furniture.....		138.70	12 204.34
Carpet.....			13 990.94
Liability insurance and tax.....	162.00	162.00	162.00
General superintendence.....	714.00	500.00	900.00
	7,990.95	5,808.44	12,203.88
Less 1942 summer maintenance not expended.....		4,800.00	14 700.00
Rent: Our interpretation of paragraph 8, 2½ months rent, at \$808.33.....			11,503.88
			15 2,020.83

NOTE.—Estimate: Bid of E. N. Staples, general contractor, St. Petersburg, Fla.

X: During the final conference at which the final settlement amount was arrived at, in discussing the different items of damage, these were the approximate figures jotted down by both the representatives of the Army and the hotel owners. It will be noted that the actual settlement figure is not the total under this column, but the amount in red ink which is written under the total.

Actual cost: The cost in money to the owners of the hotel of putting the hotel back in its original condition.

¹ Papering: The quality of paper used was a cheaper grade than is ordinarily used in this hotel, because of the shortage of supply and the quality available in each pattern. The common labor item of assisting in preparing the walls and ceilings, painting, etc., is included in the general labor item.

² Plumbing: The U. S. Government engineer's office assured us that the plumbing and heating systems were in first-class shape before turning this hostelry back on Aug. 5, 1943. No allowance was made by them in their estimate of restoring property for civilian use. The expenditure for plumbing and heating has not yet been finished as of this date because the heating system was left full of mud and when it was fired up, we found we could not raise any steam pressure. This is a slow process of elimination. Incidentally, we are burning about 3 times as much oil as should be necessary under ordinary circumstances.

³ Sanding floors: Being pressed for time, only borders in some of the rooms were sanded and in other rooms it was possible to lay portions of the old lobby carpet with the result that this item was reduced considerably. However, in calculating this reduction, it must be taken into consideration that \$120.65 was spent in laying the above-mentioned carpets and this amount should be added to our gross total expenditures.

⁴ Electrical work: The U. S. Government engineer's office assured us that all electrical work and repairs had been done prior to returning this hostelry to the owners on Aug. 5, 1943. Upon taking possession and

STATE OF FLORIDA,

County of Pinellas, ss:

We swear that we have examined this statement; that it is made in good faith; and that to the best of our knowledge and belief all entries made herein and contained in this schedule and statement attached, and made a part hereof are true, correct, and complete.

L. D. GOHEEN,
Coowner, Beverly Hotel.

H. M. AMSLER,
Coowner, Beverly Hotel.

Sworn to and subscribed before me this 4th day of January, A. D. 1944, at St. Petersburg, Fla.

[SEAL]

FRANCES A. GUNN,
Notary Public, State of Florida at Large.

My commission expires December 30, 1944.

having our electrical contractor proceed with the work, we found the expenditures as listed were absolutely necessary, for bulb replacements, electrical fixture replacements, neon sign broken, and annunciator shorted.

⁵ Mattresses: The contractor estimated that we would be able to clean a large portion of these mattresses on the job cheaper than he could, with the result that the amount showing as actual cost is not true cost because the balance of cleaning the mattresses is included in general common labor. A portion of the mattresses cleaned only, because of labor shortage, will necessarily have to be rebuilt during summer season 1944, which will naturally increase additional expenditures.

⁶ Carpenter work: Although not allowed any money for this type of work, we were forced to spend this amount checking doors, locks, repairing windows, screens, door jams, etc. This amount also includes supplies used by the plasterer, in addition to lumber, hardware, and carpenter's materials.

⁷ Plastering: On our estimate, we believed that the work done by the Army had been done in a workmanlike manner, however, since none of it was keyed and was in a general way very sloppily done, we were forced to remove it and replaster before papering. Bedroom walls and ceilings as well as shower baths and private baths, dado walls had to be torn out and redone.

⁸ Cleaning all bathroom floors: This item included in general common labor.

⁹ Hardware to be cleaned, polished, lacquered: This item included in carpentry work. 2 door locks found broken on master key system. Impossible to get replacements. A number of room keys were found to be short.

¹⁰ Furniture to be replaced and hotel set up: Although it is realized that under normal circumstances when the owner of a property is renting it, he prepares it for occupancy by the tenant, we wish to call your attention that this was not a normal lease. It was during an emergency and it was only under this condition that this property could have been leased to anyone for any other purpose than a tourist hotel, which would have included all furnishings. We do not believe that the Government desires to force an undue hardship on any of its citizens, and that it is its intention to reimburse as equitably as possible for any services rendered so that they may not suffer a loss due to the Government's actions. If this is true, an allowance should be made for preparing this hotel for occupancy by the Government and for the replacement of the furniture and setting up of the rooms after the Government relinquished control of it.

Since the hotel was set up piecemeal, while work was going on, it is impossible to accurately state the exact cost. The estimate used by the contractor is being used for this item, the proper deductions being made from general labor cost item.

¹¹ General common labor: In this item is included all unskilled labor that was employed on this job. It includes both white and black, male and female labor. Part of this labor was used to clean mattresses, remove wallpaper, clean up after the plasterer, act as helpers to the skilled labor and jobs of similar nature.

¹² Replacement of broken furniture: Although our original estimate did not include any broken furniture, this item was mentioned during negotiations and a figure of \$138.70 was mentioned. After carefully checking the inventory, we found that it was necessary for us to expend this amount of money to replace furniture that was destroyed during the leased period. Many replacements were not of the type or quality that were in use when turned over at time of leasing property.

¹³ Carpet: Since the kitchen belonging to the owners' apartment in the hotel was not used by the tenant, we stored rugs, carpets, and other miscellaneous items from the hotel in it. Due to the clogging of the sewer, the kitchen sink overflowed and before we were notified, it had destroyed the major portion of the carpets used to cover the lobbies, downstairs hall and stair runners. The original carpet was a Wilton quality and the carpet which we now are using is an Axminster quality. Fiber paper being used by the manufacturers in weaving Axminster carpet due to war emergency, hence life of new carpet, regardless of cost will be much shorter. The life of a lobby carpet in a hotel operating 12 months in the year should be 5 to 8 years; or 10 to 16 years for a hotel such as the Beverly Hotel which is operated only 6 months of the year. The new carpet cost \$1,981.88 and as the old carpet had depreciated practically 50 percent, we are asking for \$990.94 to be allowed for damage caused by sewer backing up. In addition to the foregoing, furniture, linens and blankets were materially damaged.

¹⁴ Maintenance: This hotel was completely remodeled and renovated in 1938 and each year thereafter, the necessary money was spent to keep it in first-class condition. During this period of 5 years, the average yearly sum required to do this was approximately \$700 (inside maintenance only), and we believe that in a statement of this nature, this amount should be deducted. This amount was discussed and agreed to be as a fair amount to be used for this purpose with the representatives of the Army while negotiating the settlement of this lease. Therefore, we are allowing \$700 for the 1942 summer work which was not done because of Government occupancy.

¹⁵ Rent: Our interpretation of the Government lease was that if the Government restored this hostelry under par. 8, that rent would be forthcoming until property had been turned back ready for civilian use after accepted by owners. We negotiated on a cash settlement. Our contractor estimated 120 days (3 months) required to complete. Actual time to complete work was Aug. 5, 1943, through Nov. 20, 1943. We were reliably informed that the hotels which were renovated by the U. S. post engineer's office were compensated according to the lease. Although we did not demand rent for that period of time which it took for renovating the Beverly Hotel, we do not believe it equitable that we should be penalized for doing our own work and our willingness to relieve the U. S. Government authorities of the burden of renovating this property. A time element was involved on the part of the Government by our accepting the responsibility of doing the work. Since the first guest was accepted on Oct. 15, 1943, before the hotel was completed, we are using this date in calculating rent.

EXHIBIT F

JULY 14, 1943.

Re Beverly Hotel restoration cost.

Mr. H. M. AMSLER,

105 Second Street, North, St. Petersburg, Fla.

DEAR SIR: Attached hereto, you will find a complete break-down of the cost of restoring and replacing shortages and breakages at the Beverly Hotel. You will note that most of these break-downs itemized are estimates by bids from respective contractors who have been requested by the writer to make a complete survey of the work and material which would be needed to make complete restoration in order that this hotel might again be made available for civilian use.

You will recall that we made a physical survey of this hotel with the Government officials on Thursday, July 8, 1943, as to the inside condition of the building. This was followed by another inspection of the furnishings on Tuesday, July 13. In both cases the Government had their respective representatives and I had representatives to look after our interest and prepare their estimates, in accordance with their findings.

The Beverly Hotel was turned over to the Government on July 24, 1942. This was done after negotiating on a rental basis, considering, however, the lease and condition of the property was not presented to us until October 1942, which was some 3 months after Army occupancy. You will note from the condition report that the inspections were made starting with July 27, 1942, and not being completed until October 7, 1942; hence I would consider this report anything but accurate or thorough as to findings of the hotel when they actually took it over on July 24, 1942. The terms and conditions of the lease were not presented for our inspection prior to having it prepared or even after it was prepared by the proper Army authorities. You will recall it was mailed to us from Atlanta, Ga., and requests made that it be signed along with the conditional report and returned promptly, otherwise no rent payments would be forthcoming. While this may be the Government's way of handling a business transaction of this nature, it certainly is not the proper procedure where two parties are interested in the making or executing of a contract, especially for consideration.

This hotel you will remember was completely overhauled in the summer months of 1938. A total expenditure of \$25,500 was made; \$18,000 was put into outside and inside capital investment. Seven thousand five hundred dollars was for inside complete overhauling not considering any furniture or refinishing. This hotel was in A No. 1 condition by December 1, 1938; as a matter of fact, it was receiving guests at opening date of September 15, 1938. Since this overhauling job was completed, this hotel has been operating for tourist-season purposes from September 15 till June 1 of each year. We have a very fine and cultured clientele, 90 percent of which are women guests. In the 7½ months of operation the hotel is actually filled up January, February, and March, the remaining months of operation having an occupancy of 25 to 50 percent. In view of the foregoing the hotel has been kept in first-class condition each year, that is to say a certain amount of maintenance has been done each summer season to keep this place in the best of physical condition so it would be ready for the next season. The cost of the annual maintenance on the inside of the building has averaged from \$500 to \$750 per year; this figure not including linens or replacements. This will give you some idea as to the general physical condition of the hotel when it was turned over to the Army in July 1942. However, there was no maintenance work done in the summer months of 1942 as negotiations had been under way from about the middle of June for the Army to take over this hotel for their use.

It might be well to note that this is an old frame building but that it is also to be noted that the general physical condition of the building both inside and outside has been kept right up-to-date, otherwise it would be a physical impossibility to warrant the type of tourist business which this hostelry has been keeping for the last several years, and in order to get this type of clientele back again it will be necessary to make a complete restoration regardless of who pays for the bill.

In making the survey personally with the Government officials and inspectors, I note that undue wear and tear has been caused by the abnormal use of this hotel for Army housing of soldiers. In the first place when an inspection was made in July 1942 by the engineers' office it was pointed out that the hotel would be limited as to its possibilities to house 165 to 168 men. This was

based on the fact that each man should have a minimum of 60 square feet and that the rooms were surveyed on that basis. In February and March of 1943, it will be well remembered that the Army had housed in this hostelry somewhere around 500 men for that 2 months. To house these men and for proper bedding facilities the Army tore down and removed all of the beds, springs, and mattresses and used double-deck wood beds instead. The writer was called upon to make an inspection of this hotel about the middle of March relative to fire hazards which might be found in storage room spaces which were reserved (4 bedrooms reserved for storage). On this inspection trip I well remember 1 room was occupied by 10 men with only 1 window. This same room when inspection was made in July 1942 with a Government representative, I noted, was only to have 3 occupants. This same condition was true throughout the whole hotel; a minimum of 4 men and a maximum of 10 men were housed in the respective rooms. It is also to be further noted that this hotel was primarily used as a recruit hotel, in other words as the men were brought into St. Petersburg they were placed in this hotel upon arrival and were distributed from there after they had served their internment from 5 to 7 days, for 24 hours each day, which to my way of thinking caused undue and abnormal wear and tear.

Referring back to the estimate of costs of restoration and replacements, please be advised that each one of the contractors who have made the estimates were asked to do so in a business- and workmanship-like manner; that is to say, each one was told very definitely before the tour of inspection was made on July 8 and 13, respectively, that this hotel had been completely overhauled in 1938 and that we were looking for an estimate to cover labor and material and that the work was to be done in a workmanlike manner so that this hotel could be restored to active civilian use as heretofore.

It will be noted from the break-down of the respective estimates that this hotel had abnormal use and that little or no care was executed in looking after the property in general. The building is at this writing in worse shape than the writer has ever seen it since taking over the management in 1931. The wear and tear on the furnishings should be classed as being abnormal rather than as ordinary wear and tear. For instance, all of the metal beds were stamped in paint with the word Beverly on the top of the headboard and footboard. The mattresses were apparently dragged across the floor when they were removed and returned to the hotel as they are all in a terrible condition. I would further call your attention to the fact that when this hotel was turned over to the Army in 1942 all the bedrooms were properly set up with the furnishings as the Army required to be left in the respective bedrooms. During inspections of July 8 and 13, respectively, it was found that the furniture was scattered hither and yon in the hotel and none of it is in the proper location. This will require considerable manpower to put the furniture in the rooms where it belongs. The Army further removed the large iron safe from the office sometime after they took possession. When the safe was removed, the men handling it allowed it to jamb against the porch column. This has been patched but not done properly. The safe was returned on Monday, July 12, and when it was returned, the porch floor was broken by the heavy safe dropping on said floor. This was patched. The safe was not returned to the office where it belongs but allowed to rest in the outer lobby and will mean additional expense for replacing so heavy an article.

I merely call these items to your attention so as to have you fully informed that there is a big job ahead of making this hotel ready for the coming season. Another very important thing is that the Government has been asked to make complete restoration; however, to the present there does not seem to be any workman on the job nor any activity looking toward the restoring of the hotel so that it will be completed by August 5, 1943, the date it has been stated that it would be returned and the lease canceled.

Should the Army decide not to restore this hostelry and in lieu thereof offered cash settlement, it is to be remembered that many items of replacement must have a AA-1 priority to get prompt deliveries, otherwise it may take many months before complete restoration could be effected; in giving consideration for a cash settlement time also should be allowed on account of the shortage of manpower as well as the materials above referred to. The Government should allow the lease to remain in effect and pay the rental basis until complete restoration can be made on hotel or until it can be made available for civilian use. I have determined that it will take a minimum of 90 days and a maximum of 120

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days to get this hotel ready to reopen for civilian business; in the meantime we will not be able to make any advance season reservations as we have always done heretofore.

In closing I wish to state that the figures compiled are to the knowledge of the writer honest and sincere and should be considered as just and fair in asking the Government to either restore on the same basis or make cash allowances in lieu thereof.

Respectfully submitted.

L. D. GOHEEN, *Agent*.

STATE OF FLORIDA,

County of Pinellas, ss:

Before me, an officer duly authorized to administer oaths, personally appeared Henry M. Amsler who, upon being duly sworn, states that the foregoing copy of letter from L. D. Goheen, agent to H. M. Amsler, is a true copy of the original letter.

HENRY M. AMSLER, *Affiant*.

Sworn to and subscribed before me this 4th day of January 1944 at St. Petersburg, Fla.

[SEAL]

FRANCES A. GUNN,

Notary Public, State of Florida at Large.

My commission expires December 30, 1944.

Cost of restoration—Beverly Hotel.

JULY 14, 1943.

Papering:

Wall and ceiling of 62 bedrooms @ \$16.20-----	\$1,004.40
3 lobbies and 3 hallways (not including main lobby ceiling or fourth floor ceiling) (written bid)-----	517.11
Total-----	<u>1,521.51</u>

Painting:

1 coat undercoat and 1 coat enamel finish, 75 bedrooms, woodwork, @ \$10.26 (written bid)-----	769.50
1 coat undercoat and 1 coat enamel finish, 47 bathrooms complete, @ \$11.87 (written bid)-----	557.89
1 coat water paint (ceiling and sidewall only), 13 bedrooms @ \$7 (written bid)-----	91.00
1 coat sidewall and ceiling water paint (first floor west end hall- way) (written bid)-----	32.00
1 coat undercoat and 1 coat enamel trim finish, 3 lobbies and 3 hall- ways, woodwork (written bid)-----	246.50
Total-----	<u>1,696.89</u>

Floor varnishing:

2 coats 2-foot border, 75 bedrooms (labor and material) @ \$2.50 (written bid)-----	187.50
Varnishing 2-foot border, 3 hallways and 3 lobbys (2 coats job, labor and material) (written bid)-----	52.50
Total-----	<u>240.00</u>

Floor sanding:

75 bedrooms—2-foot border @ 4½¢ per sq. ft. (written bid)----	405.00
3 lobbies and 3 hallways @ 4½¢ per sq. ft. (written bid)-----	162.70
Mattresses: 72 mattresses—must be reconditioned (written bid)----	414.00
Venetian blinds: 87 venetian blinds—rebuilt (written bid)-----	498.50
Furniture:	
Overhaul—all furniture (not broken) (written bid)-----	1,150.00
Replacement cost of broken furniture (estimate)-----	138.70

Cost of restoration—Beverly Hotel—Continued

Electric work: Electric replacements—labor and material (written bid)-----	\$367. 86
Plumbing: Replacement, repairs, labor, and material (written bid)---	510. 13
Carpenter's work: Inside—checking doors and windows (estimate)---	185. 00
Plastering: Inside plastering work, labor, and material (estimate)---	190. 00
Bathroom floors: Cleaning—28 bathroom tile floors @ \$1.50 (estimate)-----	42. 00
Setting up hotel:	
75 bedrooms to be set up @ \$12 (estimate)-----	900. 00
3 lobbies and 3 hallways to be set up (furniture scattered about hotel)-----	125. 00
Bedroom door hardware damage: 52 sets of hardware, damaged, @ 75¢ per set (estimate)-----	39. 00
Boiler room: Heating system and hot water system—damages, repair to 2 motors, thermostat, and automatic stack damper (written bid)-----	41. 50
Total -----	8, 627. 79

EXHIBIT No. 932

STATE OF FLORIDA,

County of Pinellas, ss:

The affidavit of Elmore W. Allison, who, having been first duly sworn, states that he is a resident of St. Petersburg, Pinellas County, Fla.; that he is assistant manager and bookkeeper of Allison Hotel; that said Allison Hotel property is owned by this affiant's mother, brother, and this affiant; that the lease on said hotel which was obtained from United States Government during the month of September 1942, was signed by affiant's mother, whose name at that time was Mrs. May Allison Risley, but whose name at this date is Mrs. W. E. Allison.

Affiant further states that in accordance with the plan approved by the United States Government, repairs were made to hotel after it was vacated by the United States Army Air Force and that the cost of such repairs as have been made up to this date aggregate \$12,038.52, as will be shown by itemized statement attached hereto.

Affiant further states that said hotel is not yet restored to the condition which it was in at the time of its original occupancy by the United States Air Force, and that the owners thereof have secured an estimate from White Construction & Engineering Co. for the completion of the restoration of said hotel, the cost of which will be according to said estimate, \$10,821.20, said estimate signed by W. M. White, president of said construction and engineering company being hereto attached and made a part hereof.

Affiant further states that certain rooms in connection with said hotel marked and designated "owners' storage" were entered during the time said hotel was occupied by the United States Army Air Force, and that merchandise was taken from said rooms during said occupancy, same consisting of silver, linens, rugs, and electrical appliances aggregating in value the sum of \$1,257.50. Affiant states that in his opinion it would be equitable to reduce this amount by 25 percent because of the fact that said goods were slightly used, leaving due to said hotel owners from said item the sum of \$943.16. Affiant states that an itemized list of said goods which were so taken from the property is attached hereto and made a part hereof.

Affiant further says that the owners of said Allison Hotel have been paid the sum of \$8,000, leaving a deficit of \$15,802.88 still due, owing, and unpaid to said owners of Allison Hotel.

And further affiant saith not.

ELMORE W. ALLISON.

Subscribed and sworn to before the undersigned authority this 4th day of January 1944.

[SEAL]

E. H. DUNN,

Notary Public, State of Florida at Large.

My commission expires June 17, 1944.

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WHITE CONSTRUCTION & ENGINEERING CO., INC.,
Tampa, Fla., December 31, 1943.

In re repairs to hotel building.

ALLISON HOTEL,

St. Petersburg, Fla.

(Attention of Mr. Allison.)

GENTLEMEN: We hereby propose to furnish all necessary equipment, labor, and material to jack up the entire hotel building, level up floors, put in new foundations where necessary, put in new steel where necessary, replace broken plaster and paint where necessary, and put the hotel back in good condition, for the sum of \$10,821.20.

Respectfully,

WHITE CONSTRUCTION & ENGINEERING CO.
By W. M. WHITE, President.

ALLISON HOTEL,
St. Petersburg, Fla.

Broken mirror-----	\$9.50
Shades-----	184.00
Scrubbing-----	585.54
Cleaning-----	638.05
Painting-----	2,563.43
Plastering-----	480.25
Leveling floors-----	139.16
Brick mason-----	43.40
Blankets-----	671.05
General expense, travel, etc-----	1,550.29
Labor, helpers, etc-----	940.96
Paint, cleaners, etc-----	1,826.08
Front porch, steel beams, etc-----	678.98
Brushes, materials, nails, etc-----	23.93
Telephone service charge-----	317.56
Roofing-----	101.10
Cleaning rugs, etc-----	191.02
Sanding floors and power-----	180.73
Yard-----	213.07
Mattress pads-----	89.70
Plumbing repairs-----	432.89
Paper hanging-----	136.75
Miscellaneous-----	338.08
Total-----	12,038.52

Merchandise removed without permission from rooms designated as "Owner's storage" in the Allison Hotel

Silver-----	\$368.50
Linen-----	162.90
Rugs-----	568.00
Electrical fixtures, appliances, and supplies-----	158.10
Total-----	1,257.50

EXHIBIT No. 933

Reconditioning Stanton Hotel

Miscellaneous, sponges, buckets, soaps, mops, brooms, brushes, etc-----	\$25.00
Lumber and nails-----	27.00
Carpenter labor-----	48.00
Emergency mattress repairs-----	24.00
Furniture repairs-----	186.00
Restoring shrubbery, yard and patio-----	55.00

Reconditioning Stanton Hotel—Continued

Plumbing material.....	\$44. 00
Electrician.....	20. 00
Fluorescent globes, lamps, etc.....	11. 00
Army title search.....	7. 50
Labor and wages.....	674. 00
Carpet storage.....	128. 60
Relaying of carpets.....	250. 00
Furniture storage.....	350. 00
Hauling, drayage.....	108. 38
Replacement of room phones.....	33. 00
Sanding (3 rooms only).....	39. 36
Additional insurance (storage goods).....	14. 12
Painting of lobby and a few rooms only.....	387. 10
Crescent Tile Co.....	15. 00
Extra carpet matting.....	18. 00
Total reconditioning cost.....	2, 465. 06
Estimated unfinished work.....	2, 486. 00
Total.....	4, 951. 06
Army allowance.....	3, 250. 00
Loss to owners.....	1, 701. 06

Owners had to find other living quarters during Army occupancy, \$720, plus depreciation on building and no recompense for investment.

G. ROY WALKER, *Owner-Manager*.

Stanton Hotel—Estimated cost to finish reconditioning

Lack of sufficient funds, time, labor, and material, I reconditioned only part of damage done by Army occupancy. I expect to finish reconditioning damage as soon as this season is over. Our hotel was new and only operated by owners 9 months, when the Army took over and operated for 1 year.

Estimate to finish reconditioning hotel:

Sanding balance of 30 rooms, at 4 cents per foot.....	\$240
Sanding 1,500-feet hall flooring, at 4 cents per foot.....	60
Sanding and refinishing red oak lobby floor, 1,200 feet at 8 cents.....	96
Restoring balance of furniture.....	250
Replacing fleece lined shower curtains, \$3.....	90
Repairing box springs and inner spring mattresses.....	500
Repairs to venetian window shades.....	50
Painting balance damage walls and woodwork.....	1, 200

Total..... 2, 486

G. RAY WALKER, *Owner-Manager*.

Sworn to and subscribed before me this 14th day of January A. D. 1944.

[SEAL]

N. W. UPHAM,

Notary Public, State of Florida at large.

My commission expires December 31, 1946.

EXHIBIT No. 934

AFFIDAVIT OF AULDON B. DUGAN RE DUSENBURY HOTEL

STATE OF FLORIDA,

County of Pinellas, ss:

Before me, a notary public in and for the State of Florida at large, personally appeared Auldon B. Dugan, who, being by me first duly sworn, deposes and says that he is the owner of a one-third interest in the Dusenbury Hotel, St. Petersburg, Fla., and that the remaining two-thirds interest in said property is owned by his wife, Mrs. Adelaide Dusenbury Dugan.

The leasing of the Dusenbury Hotel, located at 427 First Avenue North, St. Petersburg, Pinellas County, Fla., by the War Department of the United States Government on August 15, 1942, was negotiated under extreme duress. At the time of negotiating, the Dusenbury Hotel was booked up for the coming 1942 season 100 percent, with approximately 30 percent of the guests of the hotel in town or located in the hotel. Upon being enlightened by the Army's leasing representative, Lt. Col. David Fitch, of the problems which would certainly confront us the coming season if we did not sign up with the Army and at the Army's figure, such as (1) the blocking off of streets adjacent to or near our hotel, thereby interfering with the easy egress and ingress of guests, (2) the early blowing of bugles and noises of marching soldiers very early in the morning, (3) the very strict restricting of the traveling public by train or bus into Florida, and (4) the possibility that the turning of St. Petersburg into an Army replacement center would be a discouraging feature as an entertainment to tourists to spend their vacation in St. Petersburg, we felt that the picture was so black that we agreed to sign at their figure.

Arbitrary rent figures were set by the representatives of the War Department, which rentals were not consistent with or equal to rentals offered by the War Department for similar properties in other cities, and, upon being assured by Colonel Fitch that all leases entered into by the War Department for hotels were negotiated by the same yardstick as to rentals and that there could be no deviating from that said yardstick, we finally accepted and signed the option to lease the Dusenbury Hotel of 140 rooms at a yearly rental of \$11,500, or approximately 20 cents per day per room. This figure was arbitrarily set by Colonel Fitch with no chance given me to arrive at a fairer rental. The above figure simply took care of taxes, insurance, interest, and external repairs.

During the winter season of 1940-41 the net earnings of the Dusenbury Hotel were \$18,524.72, and during the winter season of 1941-42 the net earnings of the hotel were \$12,332.39. Taxes, interest upon a mortgage covering the property, and insurance required approximately \$7,500 per year. External repairs estimated \$1,000 per year. The owners of the Dusenbury Hotel were consequently in no position to contest the Government's arbitrary rental figure. To attempt to obtain a higher rental in a condemnation suit would have delayed any revenue from the Government's lease of the property for an indefinite length of time. The owners had no other funds out of which taxes, mortgage interest, and insurance could have been paid. If the owners had contested the Government's rental figure by a condemnation suit, they might, in the meantime, have lost their property upon a mortgage or tax foreclosure. It is for this reason that the owners felt that their signature to the Government's lease was obtained by duress. The duress was no less real because it was economic. It will be seen from the foregoing figures also that a very small living allowance remained to the owners after paying fixed charges out of the rental received from the Government.

In addition to the foregoing, the owners of the Dusenbury Hotel were required to make a payment of \$8,000 per year upon the principal of their mortgage. In order to save their hotel from foreclosure, it was necessary to make an arrangement with the mortgage holder that the principal payment would be deferred if interest payments were promptly met. In order to keep this agreement the owners had no choice but to sign a lease with the Government at the rental fixed by the Government. As previously stated, to attempt to obtain a higher rent by forcing a condemnation suit would have left the owners without money to pay interest when due and a foreclosure would have resulted.

At a later date, we were notified to appear at the office of Colonel Fitch to sign the lease. At that time we were given no opportunity to read or discuss the terms of the lease. Approximately 6 weeks after the above-mentioned hotel was occupied by Government troops, a conditional report was presented me to sign. This conditional report portrayed the Dusenbury Hotel as being in a deplorable state of disrepair, and was grossly exaggerated. When this conditional report was questioned and refuted, we were told not to worry about the terminology, that it was Army jargon. Upon further dissension upon the part of the owners of the Dusenbury Hotel to sign such a report, we were told by the Army representative that, upon our failure to sign the above-mentioned conditional report, we would not receive any rent from the Government.

At the time the rent for the Dusenbury Hotel was fixed, Lieutenant Colonel Fitch represented to me that only a certain number of troops could be quartered in the Dusenbury Hotel, that he was restricted to a certain sum per man for quarters, and that on this basis he could not pay a higher rent than the figure named above. As a matter of fact, however, nearly twice as many troops were

actually kept in the Dusenbury Hotel than Lieutenant Colonel Fitch had stated. Therefore, the basis for the rent fixed by Lieutenant Colonel Fitch is gone by his own reasoning and higher rent should actually be paid than was in fact paid.

The owners were put to a great cost in money and time through the neglect of those in charge in caring and maintaining said Dusenbury Hotel. They allowed trash to accumulate on the roof and in the gutters of the said hotel, such as whisky and beer bottles and "pop" bottles, articles of wearing apparel, cartons of ice cream, pasteboard cartons in which they had received articles from home, electric-light bulbs, flashlight batteries, and a great number of newspapers, thereby causing water to back up, breaking seams in the room and gutters and allowing water to seep in the plastered surface below. This damage was never repaired by the Army or said damages allowed.

During the summer of 1943, the Government sent the owners of the above-mentioned hotel written notice of their intention to terminate the lease on the Dusenbury Hotel. The owners of the said hotel were solicited by the Government's representative, Lt. Col. David Fitch, to accept a cash settlement for restoration of the hotel. Instead of the Government doing the work of restoration the owners were instructed by Colonel Fitch to receive bona fide bids from local reputable contractors, which they did, but, upon presentation to Colonel Fitch, they were informed that the bids were way out of line. Colonel Fitch was asked to produce figures for means of comparison prepared by the post engineers. This he refused to do, stating that they were confidential war information and could not be shown. An arbitrary figure was fixed by Col. David Fitch as the amount which the Government would pay for restoration. The above-mentioned owner, Auldon B. Dugan, requested and was granted a demonstration on room No. 33 located in the above-mentioned hotel, of what the Army would consider necessary in the way of restoration for that room. This work was directed and supervised by Major Mackey of the post engineers located in St. Petersburg, Fla.

It was Major Mackey's decision that two of the walls needed only to be washed with Savagran to complete restoration. This was done immediately by his assistants in the presence of the above-mentioned owner. They then in a body went to other rooms in the Dusenbury Hotel where similar decisions were made—this wall to have one coat of paint and that wall to be washed. The prospect of having his hotel turned back to him in this manner caused the above-mentioned owner grave concern. He had inspected the walls in the above-mentioned room No. 33 after they had dried, which were demonstrated to him as being restored by the Army, and found them to be in worse condition than they were before being so-called restored. He could readily see that at the end of the restoration, as shown by the demonstration, his hotel would not be tenantable for his guests. He would be unable to open up for business, time being so short, before the opening of his 1943-44 season, opening date being November 1, 1943. After weighing the above-mentioned fact very carefully and thoughtfully, the above-mentioned owner did, with many misgivings, finally accept, under protest, the figure tendered him by Col. David Fitch of \$9,360 as settlement. The following detailed report of money received from the Government and listed expenditures spent on restoring the Dusenbury Hotel shows that the above-mentioned owner was forced to borrow an additional amount of \$3,500 over and above that paid by the Government from the Union Trust Co., located in St. Petersburg, Fla., in order to supplement that amount which was lacking from the Government's restoration figure:

Rehabilitation account with the Dusenbury Hotel

Date	Check No.	Account	Description	Amount
Aug. 21	1	Pay roll	Duplicate of pay roll in file	\$33.27
Aug. 27	2	do	do	52.00
Sept. 3	3	do	do	53.00
Sept. 8	(1)		Documentary stamp required on check	.30
Do	4	J. C. Anderson	United States check, amount, \$318.15	2,200.00
Sept. 4	5	Union Trust	Sanding, painting, etc.; bank has bill	3,007.50
Sept. 7	6	Treasury of United States	Loan and interest	318.15
Sept. 10	7	Pay roll	Duplicate of pay roll in file	64.00
Sept. 17	8	do	do	66.00
Sept. 24	9	do	do	89.00
Oct. 1	10	do	do	155.88
Oct. 2	11	J. C. Anderson	Sanding, painting, etc., bank has bill	2,100.00
Oct. 8	12	Pay roll	Duplicate of pay roll in file	243.90
Oct. 22	14	do	do	204.50

¹ Charge by bank.

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Rehabilitation account with the Dusenbury Hotel—Continued

Date	Check No.	Account	Description	Amount
Oct. 15	13	Pay roll	Duplicate of pay roll in file	\$215.61
Oct. 22	15	J. C. Anderson	Sanding, painting, etc., bank has bill	2,007.78
Oct. 29	16	Pay roll	Duplicate of pay roll in file	202.49
Oct. 22	17	J. C. Anderson	Sanding, painting, etc., bank has bill	1,342.92
Oct. 8		Check charged to Randolph but deposit made to credit W. R. Patterson pay roll for cleaning and replacing furniture.		140.31
Nov. 3	18	Willson & Chase	Furniture and rugs replaced in moving	1,188.17
Nov. 30	19	Harrisons	Supplies to replace ones destroyed	75.48
Do	20	Krauss Sheet Metal	Gutters and roof	130.00
Do	21	Dew Furniture	Furniture and rugs damaged in moving	462.45
Do	22	Tinney Cleaners	Rugs ruined by water	100.00
Do	23	Brinson Electric	Electric repairing	5.63
Do	24	Blocker Transfer	Moving furniture	585.85
Do	25	Glidden Paint Co.	Paint	7.81
Do	26	G. J. Godsey, Inc.	Plumbing and repair	126.11
Do	27	Electric Service Co.	Storage service	87.50
Do	28	Adalian & Co.	Replacing runners in hall	464.15
Do	29	Richard S. Nahhas	Putting down rugs	104.00
Do	30	Ace Transfer Co.	Storage	129.24
Do		Petty cash:		
Do		Cleaning supplies for cleaning rooms		20.00
Do		Do		20.00
Oct. 26		Hotel keys		20.00
Nov. 3		Paint on porch		2.00
Nov. 5		Hotel supplies for cleaning		20.00
Nov. 10, 12		Electrical fixtures, etc.		27.30
		Loan secured by first mortgage, Union Trust Co.		3,500.00
		Total		19,572.30
		Bank deposit, loan by bank	\$2,997.00	
		Bank deposit, U. S. Government	9,360.00	
		Bank deposit, mortgage loan	3,496.50	
		Bank deposit, check redeposited	140.31	
		Total		15,993.81
		Balance to be paid for by Dusenbury Hotel		3,578.49
		Estimated amount yet to be expended, furnished by contractors for work of rehabilitating the following:		
		1. Venetian blinds	\$1,201.50	
		2. Box springs and mattress	1,120.00	
		3. Furniture repairs	2,258.75	
		Total		4,580.25
		Grand total		8,158.74

The owner was without funds to have anything in the manner of repair done to the following: (a) Mattresses, (b) box springs, (c) venetian blinds, which, due to lack of repair, are placing him at a great disadvantage in the operation of his hotel and subjecting him to much criticism and displeasure from his guests due to their discomfort.

Therefore, it is the firm opinion of the owner that the figure arrived at as the amount necessary for complete restoration of the Dusenbury Hotel was not computed in a careful and diligent enough manner, that he was denied an opportunity of comparing his contractor's figures with that of the post engineers in order to ascertain why his contractor's figures could not be accepted, that the amount derived at and tendered to the owner by the Army's representative, Lt. Col. David Fitch, was arbitrarily fixed without adequate funds to cover a first-class restoration job. Therefore, the above-mentioned Auldon B. Dugan hereby wishes to state that he does not approve and condemns the methods and activities of Lt. Col. David Fitch and his assistants in making the leases and in making the settlement, as being unjust, un-American, and contrary to the established and announced principles and practices of the War Department and the United States Government, and that the United States Government,

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through its War Department, or through other established agencies, are hereby requested to investigate and ameliorate the conditions cited and brought about by the said representatives of the War Department.

AULDON B. DUGAN.

Sworn to and subscribed before me this 3d day of January, 1944.

[SEAL]

ELIZABETH FANN,
Notary Public.

My commission expires April 20, 1944.

EXHIBIT No. 935

ROYAL PALM HOTEL,
St. Petersburg, Fla., December 22, 1943.

Mr. RUDOLPH HALLEY,
Executive Assistant to the Chief Counsel,
Truman Committee, Washington, D. C.

DEAR MR. HALLEY: We have been informed through press notice that the Truman committee will conduct hearings bearing on the hotel situation in Miami beginning with the 3d or the 4th of January.

When I had the pleasure of talking to you in Washington last week, you told that if the Truman committee did not plan to hold hearings in St. Petersburg, you would advise us so that we could send representatives to Miami to appear before the committee.

At a meeting of owners of property occupied by the Army in St. Petersburg, yesterday afternoon, the writer was requested to ascertain from you at the earliest possible time, the possibility of a local hearing or of the committee's plans. It was felt that a great deal of good might be accomplished by having hearings in St. Petersburg.

Thank you for the courtesy which you showed me when I was in Washington. It was a pleasure to see you again, a pleasure which I hope will be repeated in the near future.

Yours very truly.

NEIL W. UPHAM,
Vice President, St. Petersburg Hotel Men's Association.

EXHIBIT No. 936

ROYAL PALM HOTEL,
St. Petersburg, Fla., January 15, 1944.

To the Honorable Members of the Truman Committee, Washington, D. C.

HONORABLE SIRs: At the regular monthly meeting of the St. Petersburg Hotel Men's Association, held on January 13, 1944, the writer was instructed to express to you and the members of your subcommittee the association's appreciation of the opportunity accorded its representatives to be heard at the hearing held by the subcommittee at Miami Beach on January 5 last.

The association further went on record unanimously in requesting that your honorable body do its utmost to facilitate the following as being equitable in application to the St. Petersburg properties leased to the United States Army Air Forces in 1942-43:

1. The privilege of reexamination of rental contracts to determine whether rentals paid for St. Petersburg properties were fair and equitable and renegotiation of leases in which rentals are or have been too low.

2. The privilege of reexamination of final settlements to determine whether settlements were fair, equitable, and in accord with promises and assurances made by the leasing officer, and renegotiation of such settlements as have been insufficient to compensate for Army damage.

3. Proper and equitable timing for payment of rentals in the return of hotels leased by the Air Forces and presently occupied by trainees of the War Shipping Administration, which may be returned to their owners at such time as to destroy or partly destroy earnings which necessarily depend on seasonal operation.

Respectfully yours,

NEIL W. UPHAM,
Vice President, St. Petersburg Hotel Men's Association.

EXHIBIT No. 937

WAR DEPARTMENT,
OFFICE OF THE UNDER SECRETARY,
Washington, D. C., January 24, 1944.

Mr. OTHO FOWLER,
*Secretary, St. Petersburg Hotel Men's Association,
St. Petersburg, Fla.*

DEAR MR. FOWLER: I have your letter dated November 5, 1943, enclosing a copy of the resolution adopted by the St. Petersburg Hotel Men's Association condemning the War Department's activities in taking over and relinquishing hotels in St. Petersburg during 1942 and 1943, and requesting that this Department or some other Federal agency investigate and ameliorate conditions there.

A thorough review of all the facts and reports submitted by the individuals concerned, together with a number of letters from satisfied owners, leads to the conclusion that no useful purpose can be achieved by initiating the investigation referred to in your resolution.

Contrary to the statement in the resolution that the rentals offered by the Army were insufficient to cover carrying charges, it is believed that the annual rentals were agreed upon with the owners as representing a fair return. The rental figures were not arrived at arbitrarily but were established by considering the 100 percent assessed valuation and other pertinent factors on each facility taken over. All leases were executed voluntarily and all owners had the privilege of refusing the rental offered and of contesting the issue of valuation without prejudice to their rights to draw down the amount that would have been deposited in court by the Government. Every effort was made by the representatives of the War Department to carry out their duties in a courteous, fair, and equitable manner, at the same time bearing in mind the best interests of the Government.

The standard Government lease form was used and contained the customary 30-day cancellation clause. At the time that the negotiations were carried out the War Department was unable to foresee that the hotels would not be required for an additional year. Subsequent events have caused us to change our plans but you may be assured that there were no means of anticipating this in June 1942, when the hotels were first taken over. Similarly, the increase in the number of men per room was due to unforeseen troop requirements. Sixty square feet per man was the basic estimated capacity and any departure from this rule was due to additional urgent troop-training needs.

With regard to terminations, it appears that the moneys paid the owners in lieu of restoration were sufficient to rehabilitate the hotels to a condition existing at the time of the War Department's occupancy less a year's ordinary wear and tear, as provided in the terms of the leases. It is possible, however, that some of the owners expended more than the amount received for restoration because they elected to put their hotels in better condition than they were in at the time the Government took over.

I have been unable to find any instance in which the owners were refused permission to go through their properties upon reasonable request and notice. The condition reports were made as expeditiously as possible, and there were no prohibitions against the owners making exceptions in signing them. The hotel men were all requested to retain local contractors to estimate restoration expenditures in order to compare the amounts offered by the Government.

The War Department is fully aware of the disruptions and inconveniences which have accompanied the Army's hotel housing program. The cooperation and understanding displayed by the hotel owners of St. Petersburg is more than appreciated, and you may be assured that in accomplishing the final phases of the program their interests will be given continued careful attention.

Sincerely yours,

HOWARD C. PETERSEN,
Executive Assistant to Robert P. Patterson, Under Secretary of War.

EXHIBIT No. 938

FEBRUARY 4, 1944.

HON. ROBERT P. PATTERSON,

Under Secretary of War, Washington, D. C.

DEAR SIR: The reply made in your behalf under date of January 24 by Mr. Howard C. Peterson to the letter addressed to you by the St. Petersburg Hotel Men's Association on November 5, 1943, in which was enclosed the resolution unanimously adopted by our association on November 4, 1943, was read at our regular monthly meeting on February 3.

The association voted unanimously to instruct me in reply to respectfully state that it is unable to accept Mr. Peterson's statement that a review of facts and reports submitted by the individuals concerned can in any way be conclusive. To our knowledge your Department has neither asked for nor received reports which would support such a conclusion, nor has it conducted any investigation, but has obviously examined only its own records, which were made and compiled by the individual or individuals whose actions we feel were unfair and inequitable. The association feels the requested investigation should be made by a competent Government agency and regrets the apparent unwillingness of your office to comply with what we consider a reasonable request.

We note the statement that a number of letters from satisfied owners have been received by your Department. We believe that an investigation would reveal such letters were based on assumptions rather than facts and that subsequent findings will demonstrate that the writers are far from retaining any feelings of satisfaction.

We further note the "believe" that rentals were sufficient to cover carrying charges and that leases were executed voluntarily. We are confident, given the opportunity, that we could convince you that this belief is ill-founded.

With respect to termination settlements, evidence submitted by our representatives to the Truman committee, supported by affidavits of our members, can lead only to one conclusion—namely, that settlements were far from sufficient to cover actual restoration costs in spite of Mr. Peterson's belief.

I have further been instructed to inform you as to Mr. Peterson's statement that owners were accorded reasonable opportunities to inspect their properties, that our members know of no instance in which owners were given reasonable or adequate opportunity to make inspections. In more than one instance owners were consistently refused in spite of repeated requests, permission to visit their properties over periods of 4 weeks or longer.

In conclusion I have been instructed to inform you that we are at a loss to understand Mr. Peterson's statement that our cooperation and understanding is more than appreciated and his assurance that our interest will be given continued attention. This statement is incompatible with the conclusion in the second paragraph of his letter that no useful purpose can be served in making the investigation we have unanimously requested. I have also been instructed to inform you that we respectfully repeat our request that such an investigation be made.

Respectfully yours,

OTHO FOWLER, *Secretary*

EXHIBIT No. 939

STATE OF FLORIDA,
County of Pinellas, ss:

On this 14th day of January A. D. 1944, appeared before me, the undersigned authority, Bess Doyle, who, being duly sworn, deposes and says that she is the owner of the Southmoor Apartments, located at 146 Sixth Avenue NE., in the city of St. Petersburg; that in June of 1942, she discussed with Edgar S. Busbee, negotiator for the United States Army Corps of Engineers the leasing of her property to the Government to be used in the Air Force's training program; that in attempting to arrive at a rental figure, she informed Mr. Busbee that she had sold the property in 1938 for the sum of \$60,000 and that she had had to repossess the said property in May of 1942; that having taken possession, she had been obliged to spend considerable sums of money on the property, and that the property was consequently in good physical condition; that she had agreed to accept the annual rental of \$2,700 for the Army's use of the said property after she had been informed by the negotiator that the Government could and probably would take her property by legal action; that she was unable to attend to the negotiations looking toward a settlement of Army damages and that in her absence from

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the city, she agreed on the representations made to her by the Army through her son-in-law, to accept the sum of \$1,500 for said damages; that on her return to St. Petersburg, she had found said sum wholly inadequate to cover damages which included the removal by the Army of all electric light globes, the removal of all wiring from 30 floor lamps, the destruction of the apartment's call-bell system; the destruction of all window shades; that she found the bed pillows left by the Army to be torn and soiled and had been dry cleaned, which process failed to improve their condition; that she called their condition to the attention of the post engineer who promised to replace 40 pillows, but that he failed to do so; that the kitchens in the building had been locked at the time the Army took possession of her property, but that during Army occupancy, a number of them had been broken into and articles, including electric toasters, dishes, etc., were removed; that her electric refrigerators in the several kitchens which had been broken into, had been damaged, one apparently beyond repair; that after having her property redecorated and resettled, she found when the apartment's heating system was placed in use, that fully 6 of the radiators' connections had been left in such condition that water escaped and damaged ceilings, walls, and furnishings in the floors below, necessitating further work and loss to her; that up to the present time she had spent approximately the sum of \$2,200 and would be obliged to expend an additional several hundred dollars in the spring to repair such Army damage as she was unable to repair prior to opening her property to the public; that in her estimation the ultimate amount required to restore her property would exceed the settlement figure by fully \$1,000.

BEN DOYLE.

Sworn to and subscribed before me this 14th day of January, A. D. 1944.

N. W. UPHAM,

Notary Public, State of Florida at large.

My commission expires December 31, 1946.

EXHIBIT No. 940

STATEMENT OF PENNSYLVANIA HOTEL BONDHOLDERS, INC., OF ST. PETERSBURG, FLA.

For several years prior to the occupancy of the hotel by the Army, the hotel and furnishings were leased to Samuel F. Bond, William Bond, and N. U. Bond, Jr., for \$30,000 per year, and they operated it as a partnership.

After paying the above-mentioned rent the Bond brothers were able to show a profit of over \$17,000 per year as is shown by the attached statement.

The Army paid the hotel company but \$25,000, making a loss of \$5,000, being the difference between the rent received from the Bond brothers and the Army. In addition, the cost of reconditioning the hotel and furnishings after the occupancy of the Army was over \$11,000 more than the Army allowed for this work.

Statements attached.

Respectfully submitted.

N. U. BOND, *President.**Statement of income and expenses for fiscal year begun July 1, 1940, and ended June 30, 1941*

Income:

Room revenue	\$70,577.97
Store rent	3,950.00
Commissions	39.29

Total income	74,567.26
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Expenses:

Telephone	1,056.54
Insurance	243.59
Office expense	1,206.07
Rent	30,000.00
Office labor	7,507.17
House labor	3,882.16
House expense	1,665.84
Laundry	2,258.81
Heat, lights, and power	2,451.18
Ice	45.60
Legal services	300.00

Statement of income and expenses for fiscal year begun July 1, 1940, and ended June 30, 1941—Continued

Expenses—Continued.

Advertising-----	\$1,802.78
Gas-----	27.00
Water-----	810.38
Oil-----	1,842.29
Entertainment-----	1,316.72
Loss—damage to suit-----	30.00
Over and short-----	170.86
Taxes:	
Social-security-----	112.71
Unemployed-----	301.33
Federal unemployed-----	76.53
State and county licenses-----	21.00
City-----	67.50
State and county-----	105.25
Musicians' Federation-----	60.00
Total expenses-----	57,361.31
Net profit-----	17,205.95
Pennsylvania Hotel Bondholders, Inc., loss on rent due to Army occupancy-----	5,000.00
Partnership loss due to Army occupancy-----	17,205.95
Total loss-----	22,205.95
Less reconditioning-----	11,511.84
Total-----	33,717.79

Statement of expense of reconditioning the Pennsylvania Hotel and furnishings after the occupancy of the U. S. Army Air Corps, from Aug. 5, 1942, to Aug. 5, 1943

Re-laying all carpets (not including cleaning)-----	\$1,154.10
Pay rolls (labor)—painting bedrooms and corridors-----	3,840.66
Stillman & Wheeler—refinishing bedroom furniture-----	1,693.25
Wilson Mattress Co.—renovating mattresses and box springs-----	2,352.00
St. Pete Mirror & Glass—replacing broken glass tops-----	453.88
Smith—redecorating lobby, lounge, dining room-----	1,397.88
Pinellas Lumber Co.—paints and materials-----	1,251.48
Stroud—repairs to public address system-----	32.00
St. Pete Mattress Co.—refinishing and upholstering bedroom chairs-----	1,191.70
A. C. B. Wicker Co.—recaning and refinishing rocking chairs-----	160.00
Cartmell Venetian Blinds—refinishing hotel and dining room-----	1,168.86
C. J. Godsey, Inc.—plumbing repairs-----	291.19
Paul Fernold—plaster repairs-----	212.25
Peninsular Telephone Co.—installation 152 phones at \$1 each-----	152.00
Ross Carson—repairs to neon signs-----	409.10
Replacement of supplies—shades, fixtures, hardware-----	824.56
Heritage—repairs of carpenter work-----	144.95
Acme Key—repairs to locks and new keys-----	42.22
Complete loss in sale of linens to Army and purchase of them back from Army-----	56.00
Miscellaneous replacements, bathroom fixtures and hardware supplies-----	322.32
Replacement of chairs due to ones being destroyed by Army-----	232.70
New carpets necessitated by having to take them up for the Army and finding them too rotten to put back down-----	1,827.49
Replacement of felt padding for carpets-----	726.00
New furniture to replace bedroom pieces unable to locate-----	155.25
Drayage and hauling furniture-----	720.00
Total-----	20,811.84
By cash settlement from Government-----	9,300.00
Total, after settlement-----	11,511.84

The Army occupied and used 140 guest rooms, including bathrooms, clothes closets, 2 dining rooms, linen room, storeroom, barber shop, beauty parlor, ladies' rooms, men's room, hotel office, lobby, lounge, elevator, heating plant, hot water plant, roof garden.

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EXHIBIT No. 941

BUSINESS BLOCK, MERHIGE BUILDING AND ORANGE BLOSSOM CAFETERIA, 216-224
FOURTH STREET NORTH, ST. PETERSBURG, FLA.—STATEMENT OF CONDITIONS DE-
RIVED FROM LEASE

One-story merantile building. The building occupies almost the entire site, 96 feet by 96 feet, leaving a 4-foot area in the rear. The building has total volumetric content of 176,640 cubic feet, and 11,000 square feet including the mezzanine.

The building contains a retail women's apparel operated by Merhige's and occupying the portion of 216-218 Fourth Street. A linen shop occupying front portion of 220 Fourth street, with a lease continuing until July 1, 1944, rental annually of \$900. A large cafeteria known as the Orange Blossom, occupying the rear portion of 220 Fourth Street, and 222 and 224 Fourth Street with a large mezzanine floor. The cafeteria was under lease at \$3,300 with expiration date July 1944, rental payable annually (secured by fixtures).

The entire building was vacated to lease to the War Department and the United States of America, as mess hall. Lease W2287 eng-1808, lease dated September 24, 1943; possession September 5, 1943.

SCHEDULE A—Income from lease W2287 eng-1808, the United States of America,
War Department

Annual rent.....	\$7,050.00
Rent per month.....	587.50
Eleven months' approximate occupancy, total.....	6,412.45

SCHEDULE B—Expense to building without upkeep or depreciation

Rent to Orange Blossom Cafeteria for fixtures payable from the Army gross rental.....	\$1,050.00
Refund settlement to advanced rent by Orange Blossom Cafeteria for 1943.....	200.00
Interest on mortgage at 5 percent annual.....	2,612.50
Taxes: County, State, and city.....	1,262.45
Insurance, annual.....	287.50
Annual expense, total.....	5,412.45
For 11-month period.....	4,961.42

SCHEDULE C—Cost to vacating building—Merhige portion, 216-218 Fourth Street
North

Hauling furniture and fixtures.....	\$289.75
Four clerks handling distributing merchandise former store to new temporary store, 6 weeks at \$15.....	360.00
Cabinet carpenter and helper, to dismantling fixtures, 97 hours at \$1.50.....	145.50
Glass men, guaranteeing all breakage to removing all plate fixtures.....	176.50
Storage warehouse, 12 months at \$12.....	144.00
Rent to new location store, temporary.....	3,600.00
Decorating temporary store, mezzanine, and second-floor rooms.....	665.50
Carpenter and helper, resetting moved fixtures, 192 hours at \$1.50.....	288.00
Plastering to temporary storeroom.....	25.00
Floor repair to linoleum and rug laying.....	165.00
Electrical wiring.....	55.00
Reset electrical fixtures.....	38.90
Window signs.....	23.75
Locksmith, changing combination and repair.....	21.65
Total.....	5,998.55

SCHEDULE D—Portion Linen Center, 220 Fourth Street North—Vacating linen shop,
releasing and canceling lease, for lease W2287 eng.—1808

Lease expiration July 1, 1944.
Security and fixtures pledge for rent.

Annual rent.....	\$900
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Schedule E—Portion Orange Blossom Cafeteria, rear 220, all of 222 and 224 Fourth Street North—Vacating Orange Blossom Cafeteria releasing and canceling lease for War Department lease W2887 eng—1808

Lease expiration July 1, 1944.

Fixtures and all contents pledged as security for annual rent.

Annual rent..... \$3,300

Schedule F—Portion Merhige's Retail Store, 216-228 Fourth Street North—Cost to returning to the former store, taken from cost of vacating during September 1942

Hauling furniture and fixtures.....	289.75
Four clerks handling distributing merchandise temporary store and re-setting into above store.....	360.00
Cabinet carpenter and helper, dismantling fixtures, 97 hours at \$1.50..	145.50
Glass men, guaranteeing all breakage to removing all glass plate fixtures and mirror shelves.....	176.50
Carpenter and helper, resetting fixtures, 192 hours at \$1.50.....	288.00
Reset electrical fixtures.....	38.90
Total.....	1,298.65

Statement of condition derived from lease W2887 Eng-1808

Expense, schedule B.....	\$4,961.42
Expense, schedule C.....	5,998.55
Loss, schedule D.....	900.00
Loss, schedule E.....	3,300.00
Expense, schedule F.....	1,298.65
Total.....	16,458.62
Income, schedule A.....	6,412.45
Loss.....	10,046.17

EXHIBIT 942

STATE OF FLORIDA,

County of Pinellas, ss:

Before me, the undersigned authority, personally appeared Mr. E. W. Hockenbury, who being by me first duly sworn, deposes and says that he is the lesseemanager of the Albermarle Hotel, Jr., located at 115 Third Avenue NE., and the Albermarle Hotel, Sr., located at 145 Third Avenue NE., St. Petersburg, Fla.

This affiant says that he leased these hotels prior to their being leased to the United States Government and was familiar with the condition and contents of said hotels.

This affiant further says that he has reoccupied the said hotels since the cancellation of the lease by the United States Government and that he is familiar with the damage done to the said hotels through the occupancy of the United States Government.

This affiant further says that from an appraisal by himself of said damage that the settlement of \$6,650 made on said hotels was deficient to the extent of \$3,500 and that there should be additional repairs to furniture and the buildings occupied by the Army.

E. W. HOCKENBURY, *Affiant.*

Sworn to and subscribed before me this 4th day of February, A. D. 1944.

[SEAL]

EDNA M. BLACKNIK, *Notary Public.*

My commission expires September 13, 1947.

EXHIBIT No. 943

STATE OF FLORIDA,

County of Pinellas, ss:

On this 10th day of January, A. D. 1944, before me, the undersigned authority, appeared W. L. Carmack, Jr., who being duly sworn, deposes and says that he is executor of the estate of W. L. Carmack, deceased, who owned the Carmack Apartments located at 336 Fourth Avenue North, in the city of St. Petersburg; that the Carmack Apartments were leased by the United States Army Air Forces which occupied the premises from some time in July A. D. 1942 until around the middle of August A. D. 1943; that he is familiar with the lease covering said property, and that he personally made the settlement with Lt. Col. David G. Fitch, which settlement purported to cover Army damage to the property; that he did not have sufficient opportunity either to make a thorough check of the damage done to the premises prior to making settlement, nor did he have any opportunity whatever to make a check of the articles of personal property which had been stored with the permission of the Army under seal in various cupboards located in the property although he requested permission to inventory same since a number of seals had been broken and various articles evidently removed; that on the limited occasions he was permitted to inspect the property, he was convinced that the cost of restoration of the property would run well in excess of the \$4,500 settlement which he finally accepted, but that he was informed by the Army's negotiators, Edgar B. Busbee, now deceased, and A. B. Fogarty that the figure of \$4,500 was as much as could be allowed and that they would advise him to accept same rather than permit the post engineer's restoring the property; that they told him further there was no assurance that the post engineer could complete the restoration before the middle of the approaching winter season; that rather than run any risk of losing the season's revenue he finally decided to accept the sum of \$4,500; that since retaking possession of the property, he has been obliged to expend a total of \$8,298 in restoring, repairing, and replacing of stolen articles, which later included bedspreads, dresser scarves, curtains, bath mats, table linens, and other articles; that his expenditures, which were necessary as a result of Army occupancy, exceeded the settlement by the sum of \$3,798.

W. L. CARMACK.

Sworn to and subscribed before me this 10th day of January, A. D. 1944.

N. W. UPHAM,

Notary Public, State of Florida at Large.

My commission expires December 31, 1946.

EXHIBIT No. 944

DAYTONA BEACH, FLA., February 17, 1943.

Re *El Cortez Manor Hotel*.

Mr. MORRIS A. SPOONER,

*Project Manager Real Estate, Corps of Engineers, United States Army,
Daytona Beach, Fla.*

DEAR MR. SPOONER: Your letter of the 5th instant, in reply to my letter to you of December 14 last, advising that after a review and reconsideration of the cancelation notice of the lease on the above hotel, in this city, the said notice remains in effect, arrived at my office during my absence from the State. Upon my return to the city on Saturday last, the owners of this property conferred on this matter. It so happened that Captain Padgett, one of the owners, who was called into the military service last month, was in the city on leave and was present at this conference. As a result of this conference I was directed to advise you as follows:

1. That regardless of and without consideration of the manner in which this matter has been handled during the past, the same should now be disposed of in a fair and equitable manner as between the owners and the Government so that justice may be done to both, and without delay.

2. Your suggestion that a lease for the property be negotiated covering that period of time from November 16, 1942, to January 11, 1943, is eminently unfair for several reasons, among which are the following:

(a) It overlooks the fact that the Government had exclusive possession of this property until February 5, when the keys were returned to the owners. Then upon inspection it was discovered that certain damages had occurred to the interior of the property by reason of improper supervision, and the Government is still in possession of the property to the extent that it is repairing such damage. It will thus be some time before the owners will have the exclusive, usable, and gainful possession of the property. We should certainly be compensated for all the time that we have been deprived of the usable and gainful possession of the property.

(b) In this same connection the hotel was equipped with telephone equipment, consisting of a PBX switchboard and telephones in numerous rooms. Your lease required these to be removed, and they were accordingly removed. They should be replaced, as the hotel cannot successfully operate without them. We understand that this equipment can be reinstalled, but some time would be required therefor. We would, of course, want this equipment reinstalled with all possible speed, without expense to us, and apparently some further delay will be encountered in this respect.

3. As to the question of a fair and reasonable rental of this property, we call your attention to the fact (as we did in our letter of December 14, that we were operating this hotel as a tourist hotel for the winter season, and that its entire value to us was derived during the winter season. For many years this hotel had enjoyed a good business with a desirable and select clientele. Upon signing the option for lease with the Government and the lease it was necessary for us to reject numerous applications for reservations for our regular clientele for the winter season, as well as to reject applications for renting the same by responsible persons. The winter season extends from about November 15 to April 15. Assuming that it will be about March 1 (after the repairs have been completed, the telephone equipment reinstalled, and the furniture and furnishings replaced) before we will be in a position to operate the hotel for business, at least two-thirds of our winter season will have elapsed and we will have about one-third thereof remaining for operation upon a disrupted basis with our regular clientele elsewhere or lost. Our loss, therefore, will be at least two-thirds of the season or year, and such figure is most conservative. Upon the basis of the yearly rental of \$6,900 set forth in our lease with the Government (which amount is less than the real rental value of the property), our loss will thus be at least \$4,600, and will probably prove to be much more. However, in a spirit of fairness and to get this distasteful situation and experience amicably settled, we would accept this sum as covering this item of our loss or damage.

4. In addition to the above loss, we have incurred or will be required to incur the following costs and expenses for which we should be reimbursed:

A. The cost of removing the furniture, furnishings, etc., such as rugs, overstuffed furniture, double beds, etc., from the hotel as required by your department, and storing the same, which amounted to the sum of \$250.

B. The cost of placing these same items of furniture, etc., back into the hotel, the cost of which we estimate as being the sum of not less than \$350, which will probably prove to be considerably more.

C. The cost of replanting or resodding or otherwise improving a great part of the extensive lawns surrounding the buildings. Your department failed to care for or attend to these lawns, but allowed them to deteriorate or go to waste. The cost of this item is conservatively estimated at \$250.

5. For convenience we have recapitulated our loss and claims as above set forth, as follows:

Claim for rental and loss and damage on account thereof-----	\$4,600
Claim for cost of removal of furniture-----	250
Claim for cost of replacing furniture in hotel-----	350
Claim for cost of replanting or resodding lawn-----	250
Total-----	5,450

6. We are anxious to have this matter disposed with the least delay, and this is an added reason why the owners are willing to settle for the reasonable amounts above set forth. It is, of course, understood that this letter and proposal is made in a spirit of having the matter amicably adjusted and disposed of, and is without prejudice to the rights of any party.

Yours very truly,

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HEADQUARTERS, SECOND WOMEN'S ARMY AUXILIARY CORPS TRAINING CENTER,
Daytona Beach, Fla., March 29, 1943.

Mr. B. F. BRASS,
128 Volusia Avenue, Daytona Beach, Fla.

DEAR SIR: A board appointed to investigate and report in the matter of leasing the El Cortez Manor has recommended that a sum of \$4,025 would be a fair, just, and reasonable compensation in settlement of your claim set forth in your letter of February 17, 1943.

It is desired that this office be informed in writing as to whether or not acceptance of the above sum will be made by the owners if the recommendations of this board are approved by higher authority.

Very truly yours,

JAMES H. HANCOCK,
Major, Corps of Engineers; President, Board of Officers.

SECOND WAAC TRAINING CENTER,
OFFICE OF POST ENGINEER,
Daytona Beach, Fla., April 27, 1943.

Subject: El Cortez Manor, Daytona Beach, Fla.

To Mr. B. F. BRASS, Attorney and Counselor at Law,
128 Volusia Avenue, Daytona Beach, Fla.:

1. We have been advised by the division office in Atlanta, Ga., that the subject claim which you signed on March 31, 1943, will have to be signed by all claimants, or either that a power of attorney, expressly delegating an agent or attorney authority to submit the claim on behalf of all claimants, be furnished in connection with the Board report.

2. Please indicate whether or not you have power of attorney from the other owners, or whether the owners are prepared to sign.

Very truly yours,

JAMES H. HANCOCK,
Major, Corps of Engineers, Post Engineer.

EXHIBIT No. 945

EL TOVAR,
St. Petersburg, Fla., December 31, 1943.

Cost of putting the El Tovar Hotel back in the same condition as when the Army took it over

Labor.....	\$192. 05
Repairing furniture.....	508. 80
Painting.....	634. 78
Sanding.....	251. 46
Material.....	540. 25
Overseeing work.....	150. 00
	2, 277. 34
Received from Government.....	1, 500. 00
Amount due for repairs.....	777. 34

I hereby certify that the above statement for damages to the El Tovar Hotel is correct in every detail.

L. H. MILLER, Owner.

Sworn to and acknowledged before me, this 31st day of December 1943.

ROY SCOTT,
Notary Public, State of Florida at large.

My commission expires April 9, 1946.

EXHIBIT No. 946

ERMEE,

*St. Petersburg, Fla., January 6, 1944.**To the Truman Committee Investigating War Contracts, Miami Beach, Fla.*

DEAR SIRs: Being home with the flu when all this St. Pete group got ready to leave. I was unable to present my case.

My building located on Beach Drive and Second Avenue North in St. Pete, 140 feet by 100, was taken over by the Army in early September 1942 and occupied by them for a year, under lease which they made themselves and I either signed or was given the alternative of having the building condemned; and living here and this being my home and not wanting to be accused of being a slacker or impeding the war effort, I signed, protesting that it was not near enough rental, and regardless that this was my entire livelihood, the building being occupied by my store and three others who paid me rent.

I lost the business that it took me years to build up to this point, my tenants, and the rent that was due me from them—they refused to pay because they had to move out on 36 hours' notice, as I did too—I had to take a terrific loss of my merchandise inventory, and then had to get a job in order to get along and pay my taxes and support my family.

I had asked them when they considered taking my place that there were so many others that wanted to rent their buildings, I did not mind; and I would appreciate it very much if they would take those that needed it—I was making a splendid living out of my business—and would be thrown out in 36 hours of something it took me 25 years to build up. I told them that I wouldn't make any objections if it was necessary to win the war, however.

They kept the place for a post exchange and made it the main exchange in this area; told me it would be operated for offices and by a nonprofit organization. However, they put in a post exchange and opened up beer parlors, tobacco stores, ice cream and sandwich bars, drug stores, uniform establishments, etc., that were all in the town and were not needed to supply any war effort, as they could all have been supplied by the town without any expense to the Government. As to profits, from December 24 to June 24 the exchanges in this area, of which my building was the headquarters and offices, made a gross profit of \$236,875.91, and paid the Army Exchange Service fee for their share during this period of \$5,985.57.

Nonprofit, eh? They told me that they would take the best of care of the premises and building. Did they? To cite a few things: Men marched in with their G. I. shoes in hundreds and scraped the fine terrazzo floor and picked pieces all out of it, took all the finish off it; they turned the hose on to clean out the beer parlor, turning it loose all over the store, where I had, when I occupied the premises, the floors cleaned with a fine pine oil and then waxed every week, and didn't have as many people in the store all season as they had in any one week; and they claimed this was ordinary wear and tear and all I was entitled to. They scraped the paint off the floors, hung things on the wall, tore out my built-in fixtures, moved them around, removed them entirely, and did so many things that it could take up too much of your time to enumerate them all here.

And then forced me into a settlement by telling me that they would give me so much, and if I didn't like it I could sue the Government, and then advising me that I wouldn't get very far that way as the Government could draw it out until I would lose more in the long run than I would by taking their offer. I asked them to replace everything as the lease called for, but they couldn't; they asked me to get several offers for them for replacement, and I could only get one contractor who would fool with all the little stuff that had to be done to put this type of building back into shape, and on submitting the lowest offer I could get, for the barest replacements, and based upon labor and materials as they used to be, and submitting a replacement of \$3,828.62 I was forced by their own tactics—and admissions that I would get nowhere suing the Government—to accept their offer of \$2,100.

After inquiry I find that I cannot get the work done for that at all and so my building is still there unfinished and unrented, because I cannot have it finished up as it should be. I would go back into business and use it myself but they kept the store long enough, to keep me from getting enough merchandise in the market to fill it so that I could do business, as all manufacturers in my line give you a proportion of what you had the year before, and my not having had any the year before, I have no quota from them, so I can't get back into business until this war is won and over.

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I have a little beach shop 15 miles from St. Pete where I manage to get enough beach things to get by for the time being. But after you have built up one of the finest retail businesses in the State, as a specialty shop, and get this treatment from your own Government, its damn tough; and all I want is a fair settlement that I am entitled to. I will be glad to go into detail at any time you may require it.

Will appreciate any consideration you may give me as I know that I got an adjustment that no fair-minded insurance firm would give a client, and our Government should be equally fair.

I had written Senator Pepper and Congressman Peterson some time ago and they assured me that your committee would take in all the complaints and try and adjust them if found worthy.

Thanking you again for your efforts on our, the people's, behalf,

Yours truly,

ELMER ERMATINGER.

EXHIBIT No. 947

FLORONTON HOTEL,
St. Petersburg, Fla., July 27, 1943.

Mr. RUDOLPH HALLEY,

317 Senate Office Building, Washington, D. C.

DEAR SIR: When I made my lease with Colonel Fitch he told me he was not going to use any of the downstairs space of the Floronton Hotel, as he did not need the kitchen or dining room. Therefore, he made no allowance in the lease for this space. Before I had finished with the inventory, Colonel Levy was already in the dining room conducting examination of Army officers. The downstairs was also used for transportation officers.

Later double-deck beds were put in the dining room, lobby, and sun porch and it was called the guardhouse. Guards were changed every 2 hours night and day, with a separate entrance being used on First Avenue North. This had nothing to do with the soldiers barracked in the house and was not covered in the lease. Cut-glass chandeliers, etc., were removed in changing it into a guardhouse. Since the kitchen was not to be used I did not take an inventory of the kitchen and some units were taken out and taken to Tent City.

I, therefore, feel that I should have some consideration in this matter, since Colonel Fitch had not arranged for this occupation.

Yours very truly,

FORENCE A. ROBINSON.

FLORONTON HOTEL,
St. Petersburg, Fla., January 25, 1944.

Received of U. S. Government----- \$8,800.00

PAID OUT

Restoration to interior of building; this includes paint, labor, papering, and repair work-----	6,677.80
Furniture: Restoration of broken and mutilated furniture; this figure does not include missing furniture-----	2,611.00
Total-----	9,288.80

UNPAID

Poinsettia Hotel: Supplies purchased, bed pads, blankets, bathroom fixtures, pillows, bedroom furniture, desks and chairs—to replace destroyed equipment-----	855.94
Three awnings (dining room) used by Army-----	76.50
Repair to steam heat pipes-----	300.00
Repair to tile floor-----	250.00
Electric fixtures (Brinsons' estimate)-----	195.00
Note.—Cut glass lighting fixtures for the dining room and lounge were broken and mutilated, cost to replace and repair-----	1,000.00
Painting and sanding dining room and coffee shop-----	650.00
Wilson Mattress Co., to repair box springs, and to rebuild mattresses--	2,500.00
Total-----	5,857.44
Grand total paid out-----	15,146.24

NOT PAID OUT

Missing furniture (count taken by Government engineer), 26 beds, 26 mattresses, 25 box springs, 3 coil springs, 12 porch rockers, 2 benches, 1 reclining chair, 3 tables, 7 desks, 3 dressers, 23 straight chairs, estimated value----- \$2, 125. 00

FLORENCE A. ROBINSON,
President, Floronton Hotel, Inc.

Sworn to and subscribed before me this 25th day of January A. D. 1944.

[SEAL]

N. W. UPHAM,
Notary Public.

My commission expires December 31, 1946.

EXHIBIT No. 948

STATE OF FLORIDA,
County of Pinellas, ss:

Before me, the undersigned authority, appeared this 21st day of July A. D. 1943, W. W. Gay and Mable E. Gay, who being duly sworn, depose and say that they are the owners of the Gayfair Hotel, a 56-room hotel located at 160 Fifth Avenue North, city of St. Petersburg; that, the said Gayfair Hotel was leased by them to the United States of America on the 15th day of August 1942 and has been occupied by the Army Air Forces from the 8th day of August 1942 until approximately the 1st of June 1943; that at the time of entering into negotiations for the use of their hotel, they were told by the leasing officer that the capacity of their property for Army barracks was such as to take care of 83 men; that to the best of their knowledge and belief that more than 200 men were housed at one time in the property, and that such a number was undoubtedly an average of the number of men housed; that at the time of entering into negotiations they were told that allowance could be made in the rent offered only for such an amount as would cover the county and city taxes on the property, the insurance, mortgage interest, exterior maintenance, and to give a small return on their investment, but that they were not allowed anything to cover annual depreciation on their property, the statement being made that their hotel would be returned to them in as good a condition, if not better condition, than at the time they delivered possession to the Army; that between the time of the property's being vacated by the Army, on or before June 1, they did on a number of occasions request permission of the Army to inspect their property, the requests being made in accordance with their lease which granted to them as owners the right to enter their property at any reasonable time; that such requests were refused and that they were not permitted to enter upon their property until June 26, on which date they inspected their property in the company of Lt. Col. David G. Fitch, Corps of Engineers, United States Army; that since June 26 they have made repeated requests to enter their property for the purposes of surveying same and obtaining estimates of necessary repairs, but that such requests have been denied; that they had made plans to leave the city for a short vacation and had notified Lieutenant Colonel Fitch of their plans on June 26 and on subsequent occasions, but that in spite of this knowledge on the part of Colonel Fitch no effort was made by him to get in touch with them or to permit them access to their building until July 20, the day before they had advised Colonel Fitch they were leaving for North Carolina; that on July 20, not having heard from Colonel Fitch, they made a last-minute effort to ascertain just what the Army intended to do in their case, and called on Colonel Fitch at his office at or about 11 a. m., again advising Colonel Fitch that they planned to leave early the next morning on their vacation, which vacation had been prescribed by their family physician as being necessary to Mrs. Gay's health; that at that time Colonel Fitch demanded of them their estimates as to the damage done by the Army to their property, but that they had had to reply that they had been unable to complete them since they had not had sufficient opportunity to examine their property; that subsequently at about 1 p. m. Mr. Gay, the representative of the Wilson Mattress Co., Colonel Fitch, and one of his men, a Mr. Busbee, went to the hotel and inspected the mattresses; that an appointment was made at that time to meet again at 4:30 that afternoon to discuss their affairs with Colonel Fitch at his office, at which time their contractor, who had been preparing estimates on their property, would be present; that they met at Colonel Fitch's office at 4:30, at which time Mr. Staples, their contractor, presented figures which they had

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not seen and which they found to be incomplete in that not all of the necessary repairs were included; that they discussed figures with Colonel Fitch, but that, since they had not sufficient opportunity to examine their furniture, they were obliged to include a general lump sum based on their previous and past experience in having furniture redone; that they presented estimates to Colonel Fitch evidencing that they would be put to a total of \$5,781 of expense to reopen the hotel; that Colonel Fitch seemed to think such a figure entirely unreasonable, but that at no time did he present any figures of his own, nor did he attempt to prove their figures were too high by making comparisons with such estimates as he should have prepared in the more than 3 weeks' time which had elapsed since their first and only previous inspection of their hotel; that he ridiculed their estimates to the extent that rather than prolong their negotiations and forego their scheduled vacation, which they felt to be necessary from the standpoint of Mrs. Gay's health, they agreed to accept a settlement of approximately half of their expected necessary outlay, or the figure of \$3,000; that they told Colonel Fitch that they felt such a figure to be entirely inadequate considering the use the Army had made of their property, that they did not feel they should be asked to accept a lower figure or to make a greater sacrifice and that they did not feel the Army or the Government should ask them to make any sacrifice whatever beyond that they had already undergone in turning over their property to the Army and closing out their going business, which they did at the time they were requested to lease their property to the Army; that their proposal to accept the figure of \$3,000 cash was not accepted, that Colonel Fitch made no alternative offer and that as an alternative to a cash settlement they left with him a detailed statement or outline of what restoration work they felt they were entitled to and which they would require of the Army in the way of restoring their property; that since they had planned to leave the city the following morning at 8 o'clock, they would arrange to leave at 9 and before leaving they would leave with their banker the necessary signed releases releasing their claims against the Government, the said releases to be delivered to Colonel Fitch or his representative on payment for their account of \$3,000; that Colonel Fitch asked them to leave the signed and executed releases with him, but that since the Government was a party to the dispute they could not agree to do so; that following their conference, which lasted until about 7:30, they returned to their home and decided to give up their arrangements to leave the following morning and to remain in the city with the hope of arriving at a conclusion, however unsatisfactory; that on the morning of July 21 Colonel Fitch called them at 7:30 and asked for further figures from their contractor and for further conferences looking toward an adjustment of their difficulties, but that they informed him over the telephone that they still did not have the figures from their contractor and that they could not meet with him until such time as they did have figures from him in such detail as to convince them in a resurvey of their hotel that the work which they felt should be done could be in any way reduced; that subsequently they were informed by Sterling Bottome, president of the St. Petersburg Hotel Men's Association, that Colonel Fitch had approached him and had told him that he had computed the necessary work of restoring the Gayfair Hotel as totaling \$2,850 but that they had told Mr. Bottome they could not accept such a figure since that would cause them an even greater loss than they had felt they must take in order to settle the matter and be able to take their much-needed vacation; that they subsequently went to Colonel Fitch's office with Mr. Bottome and executed the necessary papers arranging for the payment to them of the total of \$3,000.

W. W. GAY.
MABEL E. GAY.

Sworn to and subscribed before me this 21st day of July A. D. 1943.

[SEAL]

N. W. UPHAM,
Notary Public, State of Florida at Large.

My commission expires December 31, 1946.

STATE OF FLORIDA,
County of Pinellas, ss:

Before me, the undersigned authority, on the 3d day of January, A. D. 1944, appeared W. W. Gay and Mabel E. Gay, who, being duly sworn, depose and say that, after prolonged negotiations with the United States Army Engineers during which they stated it would cost according to estimates \$5,781 to rehabilitate the Gayfair Hotel, which property they leased to the War Department, following Army occupation, that they were constrained to accept the sum of \$3,000 as settle-

ment; that such sum has not been sufficient, but that they have been obliged to expend the sum of \$5,786.50 as per schedule attached hereto; that, furthermore, in accordance with their lease with the Government, they were to receive rent during restoration, that none was paid, and this right was relinquished as a term of the aforesaid settlement, and is still relinquished, providing proper recompense for restoration is made.

Further deponents sayeth not.

W. W. GAY.
MABEL E. GAY.

Sworn to and subscribed before me this 3d day of January 1944.

N. W. UPHAM,
Notary Public, State of Florida at Large.

My commission expires December 31, 1946.

Plastering, carpenter work, electrical work-----	\$1,625.00
Repairing to plumbing-----	254.00
Paints-----	348.00
Painting walls and woodwork-----	1,028.00
Sanding of part of the floors-----	597.00
Pointing and replacing furniture-----	1,225.00
Damage to mattresses, springs, and pillows-----	557.00
Replacing of window shades-----	107.50
Material for cleaning and disinfecting-----	45.00
Total-----	5,786.50
Amount paid-----	3,000.00
Balance due-----	2,786.50

We are not asking any damages for the shrubbery and grass on the lawn and patio which were ruined by the soldiers.

EXHIBIT No. 949

STATE OF FLORIDA,
County of Pinellas, ss:

Before me, the undersigned authority, on this 4th day of January A. D. 1944, appeared Evelyn B. Rittenhouse, who, being duly sworn, deposes and says that she is the owner of the Hibiscus Hotel, located at 160 Third Avenue North, in the city of St. Petersburg; that said hotel was leased to the United States Army Air Forces on July 24, 1942, and was occupied by the Army until some time in September 1943; that in accepting same from the Army she agreed to accept the sum of \$1,950 in settlement for Army damage; that since she took possession of her property she has found a number of items which were not included in either her or the Army estimates of damages as follows: All window shades were disfigured with obscene drawings and writings to such an extent that it has cost her the sum of \$60 to replace same; her automatic oil steam-heating plant, which was represented to her as being in good operating condition, was left in bad condition, the firebrick lining having been removed from the firebox, and the electric controls are not yet in proper working order; the plumbing was left in poor condition and has to be gone over; one bathtub was disconnected in such a way as to cause a leak to disfigure the ceiling in the lobby over the front door and other tubs and bowls have caused similar damage; her storeroom was broken into by the soldiers, who removed the window screen to gain access; all wiring was cut from the 25 floor lamps which were in her storage room, the Electrolux vacuum cleaner was taken apart and only the handle and the bag were left; an electric iron and many books taken; that the money paid to her in settlement has been insufficient to cover the general repairs, and that she is not, or has been, compensated for such other damage as she has discovered since retaking possession.

EVELYN B. RITTENHOUSE.

Sworn to and subscribed before me this 4th day of January A. D. 1944.

N. W. UPHAM,
Notary Public.

My commission expires December 18, 1944.

EXHIBIT No. 950

HOLLANDER HOTEL,
St. Petersburg, Fla., January 4, 1944.

In re Hollander Hotel.

Mr. NEIL UPHAM,
City.

MY DEAR SIR: Until the last minute it was my purpose, as you know, to accompany your group to Miami to testify and file figures in the matter of the claimed deficiency in the settlements of excessive damages to Army-occupied properties. Within the last day or two so much hidden damage as a result of Army occupancy has come to light that I find it impossible to be absent from the operation of the Hollander Hotel. That hidden damage shows up now in mechanisms, furniture, wiring, plumbing, etc.; many improperly replaced doors; misplaced hardware on doors; lost keys, tags, and broken locks; venetian blinds not operating, because of hidden mechanical defects not apparent on hurried and very limited examination; heating and hot-water plants practically out of commission because of damages to delicate mechanisms not apparent till placed in actual operation.

This hidden damage could not have been detected in the limited time allowed by Army representatives for inspections and try-out.

I was paid the sum of \$8,846 by the Government for the purpose of restoring the Hollander Hotel, which sum included 1 month's rent amounting to \$1,145.83. Actually this is approximately 60 percent only of the actual cost of necessary restoration to date.

I am prepared to furnish detailed items and figures if desired.

Yours very truly,

OTHO FOWLER,
(For Hollander Hotel).

EXHIBIT No. 951

THE NEW EDGEWATER INN,
St. Petersburg, Fla., January 3, 1944.

STATE OF FLORIDA,
County of Pinellas, ss:

To the Army officials investigating St. Petersburg hotels in re reimbursing them for additional amount to cover damages, etc.:

All items listed represent amounts of money paid out by us or to be paid as soon as funds are available for reconditioning our inn after Army occupancy.

Each item is numbered and explanation given.

Mr. and Mrs. C. W. FERGUSON,
Owner-Managers.

Sworn to and subscribed before me this 3d day of January 1944.

LENORE E. GLOCKLER, Notary Public.

My commission expires November 16, 1946.

Analysis of expenditures, reconditioning

1. Chair repairs.....	\$183.00
2. Carpet cleaning.....	105.00
3. Concrete repairs.....	40.00
4. Cash register repairs.....	19.25
5. Electricity.....	22.33
6. Electric repairs.....	169.88
7. Labor.....	2,528.78
8. Merchandise.....	299.56
9. Mattresses.....	161.00
10. Elevator.....	18.00
11. Paint, wallpaper, etc.....	677.24
12. Taxes (city).....	576.10
13. Taxes (State and county).....	428.51
14. Water.....	21.18
15. Room rack.....	17.35
16. Fluorescent lights.....	15.00

Analysis of expenditures, reconditioning—Continued

17. Radio (large)-----	\$200.00
18. Table (solid oak)-----	40.00
19. 3 months' recondition (Army allowed 1 month only—difference, 2 months, at \$708.83)-----	1,416.66
20. 3 months' supervision reconditioning-----	1,250.00
21. Fourth-floor ceiling—plastering-----	244.20
22. Piano to fourth floor-----	8.00
23. Damage to grounds, shed, etc-----	150.00
24. Batteries-----	.90
25. Grounds—supplies-----	21.00
Total-----	8,612.94
26. Amount allowed by Army-----	5,000.00
Balance-----	3,612.94
27. Clothes hooks—500, at 10 cents each-----	50.00
Total balance due-----	3,662.94

1. Chair repairs: This item represents necessary repairs to furniture and chairs.

2. Carpet cleaning: This item represents damage to flood carpets and is the amount it actually cost us to put them back in partial usable condition. They cannot possibly last us more than one season, whereas they were good for several years when the Army took possession. The principal damage to the carpets was made when the Army put a lot of double-deckers in the dining room which was formerly used as the writing room for the men and at this time the writing room was moved to the front lounge. The scuffing of feet under the writing tables was the cause of the ruination of the carpets.

3. Concrete repairs: A new concrete entrance had to be made at the rear entrance to the inn as the one that was there was ruined by hard usage, Army trucks, etc.

4. Cash register repairs: The cash register was not inventoried. It was, however, removed to the Vinoy Hotel shortly after the Army took possession. When it was returned it could not be used and the \$19.25 is the repair bill by the National Cash Register Co.

5. Electricity: This was for necessary power and light during the necessary reconditioning period.

6. Electric repairs: This was the actual cost to replace broken chandeliers, side lights, etc., sockets pulled out, and various other things in the electrical line.

7. Labor: This represents actual amount paid out for labor during reconditioning.

8. Merchandise: this item represents actual amount paid out for various and sundry items missing and essential to reconditioning which were all in at the time the Army took possession.

9. Mattresses: This was for reconditioning mattresses.

10. Elevator: This was for use of elevator necessary during the reconditioning period.

11. Paint, wallpaper, etc.: This represents actual amount paid out for paint, wallpaper, etc.

12. City taxes: This represents taxes accumulated during the year of Army occupancy.

13. Taxes, State, and county: Same explanation as No. 12.

14. Water: This represents our bill during reconditioning.

15. Room rack: Our room rack was fastened to the wall behind the desk when the Army took possession. It was not there when the Army vacated. This represents the actual cost of a second-hand room rack which we were able to buy.

16. Fluorescent lights: When the Army took possession we had fluorescent lights around the ceiling of the office. No trace of them could be found after the Army vacated.

17. Large radio: We left a large radio in the inn for the enjoyment of the soldiers. It was either stolen or removed and was not in the inn when it was returned to us.

18. Table—Solid oak: A large solid oak table which was inventoried but could not be found when the Army vacated.

19. The Army allowed 1 month rent for reconditioning. No human beings or contractor could ever have done the necessary reconditioning job in that period. Working day and night it took 3 months. Inasmuch as Assistant Secretary of War Patterson stated positively that the hotel men of St. Petersburg were to be allowed rent during the period of reconditioning and it should have been allowed in the settlement and it took 3 months, 2 additional months' rental should have been allowed.

20. Three months' supervision of reconditioning is less than one-half of what should be allowed, as no amount for this has been included in the labor outlay.

21. Fourth-floor ceiling plastering: This item was for replastering ceiling in a number of fourth-floor rooms because of the roof springing a leak during the rainy summer period after the Army had left our inn but before it was finally turned back to the owners who knew nothing of the roof leaking and was not notified by anyone and did not become known to the owners until they were permitted to enter the property with their corps of technicians when it was discovered. The owner by no chance of the imagination, should be expected to pay a bill of this kind when they were without knowledge of the condition existing and were not notified by the Army.

22. The Army brought to the first floor from the fourth floor a piano which we had there but refused to put it back on the fourth floor before or after they had vacated. It cost us \$8 which we should not be expected to pay.

23. Damage to grounds, etc.: This was occasioned by rough treatment and carelessness on the part of the Army men when they were off duty, such as archery which tore holes in the side of our workshed, broke windowns, shuffle-board paraphernalia, etc. The lieutenant in charge of the Edgewater Inn at the time (the writer does not recall his name) agreed with the owner that he would see that we were reimbursed for this damage. He later passed it over to a Lieutenant Dever who later passed it to another lieutenant who was stationed at the Southmore Hotel and was assistant to the first lieutenant above named. The latter lieutenant told the owner that the post exchange would see to it that the necessary repairs, etc., were made but the post exchange declined to have anything to do with the matter after it was brought to their attention by the owner. Much more could be said on this subject but this should be sufficient.

24. Cost of two batteries: These were to put the doorbell on the front entrance in proper working condition which it was when the Army entered.

25. Supplies for sprinkler system on the grounds occasioned by carelessness by the employees of the Army Department that had the grounds in charge.

26. The amount actually allowed by the Army for reconditioning was \$5,000, which amount has been credited on the attached analysis. While the check was for \$6,100 there was 1 month rent of \$708.33 included and it is credited on No. 20, and \$100 to cover some stolen articles which, it has since been found out, should have been several hundred dollars more as our storage was broken in by Army forces and after the inn had been returned to the owners many additional items were found to be missing that were in storage and which the military police were supposed to protect and prevent. There are many other items too numerous to mention which could be added to our expenses and hardly a day passes but what something is found to be missing which was here when the Army took possession but was missing after they vacated. In all fairness, we should be allowed at the very least, the full amount of the balance due which really does not cover our losses.

27. We had, at least, 10 clothes hooks in every clothes press. Practically every one of these were taken out and were not there when the Army vacated.

EXHIBIT No. 952

PHIL HOTEL, ST. PETERSBURG, FLA.

AMOUNT OF RENTAL

In our first discussion with Colonel Fitch regarding the amount of rental for the Phil Hotel he suggested that \$42,500 annually would be a fair rental. We thought this was too high and told him so. Our reason was that we received other revenue from the property in the form of store rentals. He then suggested that we make a downward revision of his estimate.

At his direction, we filed with Colonel Fitch a letter on March 26, 1942, in which it was stated we would accept \$32,500 as the annual rental. We were told by him that this figure was in line and acceptable.*

Nothing more was heard from Colonel Fitch until June 24, 1942, when we were called to his office. His first words were that he would like to know if we could stand some bad news. He then told us we would be obliged to accept \$19,750 as the annual rental. No reasons were given for this revision of our price. Under pressure of certain Army representatives, local businessmen and the local press, we were obliged to accept that figure. We would like it noted here that the average earnings of the hotel over the last 5 years it was operated as a hotel (1937 to 1942), was \$30,872 annually. The reason for our asking a figure somewhat higher than our average earnings was to cover cost of removing carpets from hotel, etc.

We also would like it noted here that whenever we protested the tremendous reduction in the rental figure we were told or, rather, asked the question, "Don't you know this country is at war?" The matters of our meeting taxes, interest, principal, interest on investment, insurance, and so on was of no concern to Colonel Fitch.

CONDITION REPORT

Our lease was dated August 10, 1942, and the Army took over on that date. Subsequently, a survey of the property was made showing condition of the building, equipment, etc. This survey was made on the following dates:

Building-construction condition, August 26, 1942.

Electrical-equipment condition, October 20, 1942.

Plumbing-equipment condition, September 24, 1942.

Oil-burner-equipment condition, September 3, 1942.

Refrigeration and air conditioning, August 28, 1942.

It is to be noted that all the above surveys were made on dates after the property was turned over to the Government. In other words, the survey was made after the hotel had been occupied for some time, and the report does not reflect the true condition at the time the property was turned over to the Government.

The report was then submitted to the owners on November 3, 1942, for their signatures. We were told that our rent checks would not be forthcoming until the report was signed. We were obliged to sign the following statement:

"I hereby certify that the attached statement-of-condition report of the Pheil Hotel, 424 Central Avenue, St. Petersburg, Fla., is a true report and is accepted by me as such."

The above statement was signed by all parties concerned, and the first rent check was received on December 5, 1942.

Recently representatives of the Government and the owners made a survey of the property to determine which resultant damage to the property could be charged to the Government and which to the owners. The statement-of-condition report was used as a guide in determining this damage. Although the surveys were made at periods from 16 to 71 days after the signing of the lease, we were still obliged to abide by its findings.

HOTEL ILLEGALLY ENTERED WHILE UNDER GOVERNMENT CONTROL

The hotel was illegally entered on two occasions while under Government control. It is pointed out that guards were maintained on the property all the while it was occupied by troops. The hotel has been empty for the past several weeks, however, and during that time there has been no guard on duty. During this period the hotel was "broken into" twice, once by burglars and once by the manager of the local Postal Telegraph Co. The clippings from the local newspapers substantiate the above charge.

This matter is brought to your attention because it was found that closets, reserved by the owners for storing articles of the hotel, were broken into. These closets were locked but were forced open, with the result that doors were badly damaged and the locks broken. We do not know if this was done by the burglars or troops. We have not had the opportunity to ascertain as yet if any stored articles were stolen. It is next to impossible to gain access to your property before the property is returned to the owners and a release of the Government signed.

[The Independent, Monday, July 19, 1943]

POSTAL MANAGER FINDS STOLEN SAFE IN PHEIL HOTEL—TRAILS FOOTPRINTS; GARAGE REPORTS WEEK-END ROBBERY

Marshall M. Mooser is the efficient manager of the local Postal Telegraph Co. office, and he proved this morning that he's just as efficient as a detective—for he succeeded in locating a rifled safe that was removed from his office late Saturday night or early Sunday morning.

Entrance to the Postal Telegraph office was gained through a second-story window, police said. This morning Manager Mooser started making a private investigation.

"I found footprints leading to the second floor of the Pheil Hotel," he asserted. "So I reasoned that the safe had probably been taken into that building."

Until recently the Pheil has been used as barracks for soldiers in training. Although the soldiers have moved out, it still is under Army jurisdiction.

FOUND SAFE AND TOOLS

"Well, I entered at the second floor and checked all the rooms from that floor to the fifth, where I finally found the safe and tools the burglars had used in room 508," Mooser continued.

While Mooser was making his private search, an Army officer called for police detectives and revealed that a safe had been found in a Pheil Hotel room. Detective Chief John S. Siers and Inspector Mitchell, accompanied by an Evening Independent reporter, answered the call but were refused admission to hotel by an efficient WAAC who asserted the property was a Government reservation and civilian officers could not enter unless they received permission from the military.

MYSTERY NOTE FOUND

Meanwhile the mystery reached full proportions when an unidentified civilian stopped Motorcycle Officer Ralph Stone at Central Avenue and Fourth Street and handed him a note which he said had fluttered at his feet.

"Please send police to room 508, Pheil Hotel, quick," was scrawled upon the paper. The note was signed by M. M. Mooser, Postal Telegraph Co.

Armed with the mysterious note, the officers again were refused admission to the hotel until military permission eventually was granted later.

"I dropped the note out of a window just as soon as I'd found the safe—I wanted the police to get there," Mooser explained.

It is understood that \$120 in cash was taken from the safe after it was knocked open in the hotel room.

SECOND ROBBERY REPORTED

The detective bureau received further assistance in another case at noon today when Earl Youmans, 2035 Nineteenth Street South, and George Lynch, 235 Twenty-first Avenue SE., discovered a battered money box in the alley at the rear of the Evening Independent Building.

Inspector Ike Mitchell was summoned and identified the box as one that was stolen during the week end from Barker's storage garage. Although a number of checks were still intact inside the box, around \$125 in money was missing. The two youths who found the box are employees of the Evening Independent.

[St. Petersburg Times, Tuesday, July 20, 1943]

POSTAL SAFE FOUND IN PHEIL HOTEL; BURGLARS SOUGHT

Police last night were actively working on a number of local leads in an attempt to apprehend the cracksmen, amateur or otherwise, who Saturday night took a 150-pound safe out of the Postal Telegraph office, carried it upstairs, out a window, across the roof of a narrow ell into the Pheil Hotel and then battered and pried it open in a fifth-floor room.

On completion of a check-up of office records last night it was announced that the loot taken from the safe, after the door had been removed, amounted to about \$101 in cash. Remaining in it were money orders, office papers and War bonds, and postal savings books belonging to employees. A much larger safe, standing nearby, had not been touched.

The investigation was in part proceeding on the basis of several recent reports of breaks in the downtown section in which small sums were taken. Also, being

investigated was a possibility that the hotel, unoccupied as Army barracks but still under Army jurisdiction, might have been used in the last few days as a hideout.

A curious circumstance of the case was the discovery of the broken safe yesterday by the Postal manager, Marshall M. Mooser. It had been assumed that the safe was taken onto the ell roof and then down into the alley behind the Postal office and carried away.

According to Mooser, he noted on the office floor, marks as of a rubber or composition soled shoe, ground in when the safe was moved, and went upstairs to look for other prints. On the hotel ell roof, one story in height, he found three more about 25 feet toward the alley from where a window had been jimmied to make entrance to the Postal's second floor. One of the prints was in front of a side door leading into the hotel. They were subsequently obliterated by rain, he said, but he described them as having the same pattern as those below.

Noting the door fastening seemed shaky, he said, he inserted a nail above the lock plate and it tripped the catch—then searched the rooms systematically, and finally found the wrecked safe in No. 508.

Mooser then, he explained afterward, dropped a note out of a window of the hotel Reading "Please send police to room 508 Pheil Hotel quick," it was handed to Policeman Ralph Stone on Central Avenue by a citizen who said it had fallen at his feet.

Meanwhile, to add to the investigative tangle, a man identifying himself as an Army officer had called headquarters and reported a safe found in the Pheil Hotel. "Send detectives," suggested the message.

When Captain of Detectives John S. Siers and Identification Officer J. J. Mitchell arrived they were barred by a WAAC, who stated they could not enter Government property without admission.

The performance was repeated when the dropped note was brought in by Stone. Later, however, the hotel was searched thoroughly with the cooperation of the military police.

In one of the lower rooms, it was reported, signs of recent habitation were found.

Police investigators were reluctant to say whether the "job" was professional or amateur. "Well, they got into it," commented one officer. The technique was apparently main force, for the implements used and left behind with the safe were tire irons and a hammer. The door had been hammered until the outer shell was dented and the concrete lining forced out, then pried till the bolts and hinges gave away.

Indications were that it was a two-man job. Only a powerful man could have transported the safe unaided so far.

Police were most interested, however, in the fact that whoever was responsible knew the lay of the land thoroughly. The narrow ell roof is used as an extension of the fire-escape system, which leads into the alley. While there was a military guard posted in the alley, he is said to have been located primarily behind another hotel and could have been avoided by one who knew the terrain.

The windows on the second floor had been jimmied at the bottom and forced up when nails driven in at the top of the sash gave way. The sash catch was not fastened.

Investigation was assigned to Detectives F. G. Nesbit and J. Z. Stanley.

[The Evening Independent, February 2, 1943]

ONE RESERVATION FOR THE ARMY

When Corp. Lawrence W. Edwards laughs, he can be heard all over the nine hundred and nineteenth's Pheil Hotel where he is in charge of quarters. The other day he had good reason to laugh. He received a letter addressed to "the manager of the Pheil Hotel" which, in an indirect sort of way, he is.

It was from a W. J. Sebrell of Courtland, Va., who requested a reservation in the near future for a room and bath.

Corporal Edwards is contemplating answering Mr. Sebrell and telling him if he is under 38 years of age and in good physical condition, he will be glad to reserve a room for him, if his draft board and Uncle Sam are agreeable.

There was also an instance where a telegram addressed to the manager of the Pheil Hotel was delivered to the hotel and signed for by someone in charge there.

This telegram was from a young lady asking for reservation of accommodations. She was not aware that the hotel was occupied by the Army.

9012 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

This telegram was opened by the party accepting it. Eventually the story got into the papers and it was then that the writer learned of it.

This incident is cited to show that the goodwill of the hotel was damaged. The young lady sending the telegram expected a reply confirming her reservation. None was received by her.

Likewise, in the case of the men writing for accommodations. It was some time later when the manager of the hotel obtained the letter from the corporal in charge and a letter of apology written.

WATER DAMAGE TO ROOF

Our lease with the Government provided that we were to care for the exterior of the building. Located on the roof are water storage tanks. These tanks were permitted to overflow night after night despite repeated protests from the owners. The roof remained wet constantly and leaks were reported.

DAMAGE BY RAIN ENTERING BUILDING

On at least two occasions windows were left open during rain storms and a large quantity of water entered the building and ran down into a restaurant located on the ground floor of the property. Considerable damage resulted in this to the walls, ceiling, and decorations as well as carpet.

SECURING OF TELEPHONE EQUIPMENT PROBLEMATICAL

At the time the Government took over the property all telephones and switchboard were ordered removed. We are now advised by the local telephone company that they have on hand approximately one-half the number of telephones that will be required to complete installations as before the Army took over. We have been advised by the Government that that is a problem between the phone company and ourselves.

FURNITURE DAMAGED BEYOND REPAIR

Many pieces of furniture have been completely destroyed. It is understood the Government will figure depreciation based on the length of time the piece has been in use and then pay for the damage on a depreciated basis. However, the owners will be obliged to purchase at a price many times exceeding that which the Government will pay, replacements if and when available.

Respectfully submitted.

Harvey Phel, (for the owners); C. E. Phel; Eleanor Phel, his wife;
A. L. Phel; Helen Phel, his wife; Bertha Phel Bobbitt, a free
dealer; Harvey Phel; Winifred Phel, his wife.

EXHIBIT No. 953

STATE OF FLORIDA,

County of Pinellas, ss:

Before me the undersigned authority personally appeared Mr. Chester Vannatter, who being by me first duly sworn, deposes and says that he is the purchaser under contract of the Prather Hotel at 133 Central Avenue, St. Petersburg, Fla.

This affiant says that he purchased this hotel under contract prior to it being leased to the United States Government and was familiar with the condition and contents of said hotel.

This affiant further says that he has reoccupied the said hotel since the cancellation of the lease by the United States Government and that he is familiar with the damage done to the said hotel through the occupancy of the United States Government.

This affiant further says that from an appraisal by himself of said damage that the settlement of \$1,650 made on said hotel was deficient to the extent of \$600 and that there should be additional repairs to furniture and the building occupied by the Army.

CHESTER VANNATTER, *Affiant*.

Sworn to and subscribed before me this 4th day of February A. D. 1944.

[SEAL]

EDNA M. BLACKNIK,
Notary Public.

My commission expires September 13, 1947.

EXHIBIT No. 954

STATE OF FLORIDA,
County of Pinellas, ss:

Before me the undersigned authority on this 3d day of January appeared Mrs. John H. Proctor being duly sworn deposes and says: That she is the widow of the late John H. Proctor and with her husband owned the Proctor Hotel located at 557 Second Avenue South, St. Petersburg; that at the request of the United States Army engineers she and her husband leased the said Proctor Hotel to the War Department with the understanding that its 26 rooms would house approximately 50 men; that while the Army base was in existence in St. Petersburg Mr. Proctor was employed by the post engineers as supervisor of maintenance; that at the time the Army evacuated the property Mr. Proctor, because of his employment, was unable to attend negotiations looking toward settlement and that it was, consequently, necessary for her to discuss the restoration of the Proctor Hotel with Lt. Col. David G. Fitch; that because of her husband's health and his past service with the post she felt it would be better for her to accept restoration rather than a cash settlement; that the Army consequently undertook to restore the Proctor Hotel which had been occupied by a number of soldiers in excess of 100; that in making its restoration the Army attempted to paint the woodwork, painting only portions thereof in various rooms, painting over chewing gum and doing work which is not satisfactory in that it did not match woodwork in the same rooms which was not painted by the Army; that it papered parts of rooms with wallpaper which is now loose and coming off; that it painted bathroom floors and halls entering the bathrooms without adequate cleaning of the floors with the result that the paint did not dry, which required repainting; that the floors were varnished without being cleaned, showing streaks from Army shoes; that the hotel was turned back with shades badly soiled, 1 of which was missing and 2 damaged beyond use, wastebaskets bent and broken up, two green benches broken up, 4 rockers, 7 straight chairs, and 5 pillows missing; that the 20 gas meters which meter the heat used in each room were damaged or broken.

That on the 20th day of August, sometime before restoration was complete, Mr. Proctor was taken to the hospital as a result of a heart attack resulting from overwork while employed by the post engineers and that, subsequently, it was necessary for the deponent to negotiate with the Army with respect to her property; that the restoration of the hotel was to have been completed by the 1st of September and rent was paid to that date, but that she was prevented from entering her property in spite of repeated requests arising from her desire to take Mr. Proctor from the hospital to his home; that on the 11th day of September she demanded the keys of Colonel Fitch and finally received them; that she was subsequently able to bring Mr. Proctor back to the hotel but due to his health was unable to attend to her own work in connection with the property; that Mr. Proctor died on the 27th of October, his death, in her opinion, being partly caused by the worry over the condition of the hotel; that it has been necessary to attempt to operate the hotel in the condition in which the Army left it, but that she has found it necessary to spend her own funds for missing articles and that it will be necessary for her to repaint and repaper much if not all of the Army work done in attempting to restore her property during the coming year.

EMMA DOROTHY L. PROCTOR,
(Mrs. John H. Proctor).

Sworn to and subscribed before me this 3d day of January 1944.

[SEAL]

N. W. UPHAM,
Notary Public, State of Florida at Large.

My commission expires December 18, 1944.

EXHIBIT No. 955

AFFIDAVIT

STATE OF FLORIDA,
County of Pinellas, ss:

Before me, a notary public duly authorized to administer oaths and take acknowledgments for the State of Florida at large, personally appeared Fannie L. Ten Eyck (widow), to me personally known to be the same, who being first duly

sworn deposes and states that she is the sole owner of the Morgan Ten Eyck Hotel, a 3-story building containing 40 rooms, 23 baths, and dining room, situate at 132 Mirror Lake Drive, St. Petersburg, Fla., and which hotel she leased to the United States Army through Lieutenant Colonel Fitch, and which was occupied by the United States Army from the 9th day of July 1942 to the 1st day of August 1943, and when the United States Army vacated, on said latter date, the said hotel that she, the said Fannie L. Ten Eyck, incurred and paid the sum of \$2,433.61 for the necessary repairs and rehabilitation of the said hotel, as damages caused by the occupation of the United States Army of same during said period of time, and for which she was allowed the sum of \$1,310, based on an estimate made by the United States Army authorities at that time, but this affiant, who is 79 years of age, did not then realize all of the damages and repairs that would have to be made as the result of such occupation, but which she has all receipts for all disbursements;

Wherefor this affiant feels that she is justified in claiming the difference in what she has actually spent for such repairs and the amount allowed her, to wit \$1,123.61.

FANNIE L. TEN EYCK.

Sworn to and subscribed before me this 3d day of January A. D. 1944.

[SEAL]

E. E. ARNOLD, *Notary Public*.

My commission expires November 7. 1946.

EXHIBIT No. 956

WIGWAM HOTEL LEASE AND TOTAL COST OF RECONDITIONING SAME—ST. PETERSBURG, FLA., JANUARY 3, 1944

The previous season the Wigwam Hotel was completely overhauled at a cost of over \$25,000.

We received from the Government \$4,500 while the total cost for repairing building and purchasing new furniture, etc., was \$6,432.43. The difference in cost, \$1,932.43, was due to the fact that we were not able to see large portions of this damage at the time of inspection. When the question was raised as to the time not being adequate to inspect the different items that might be damaged, the heating system, the hot water system, electric system, bell system, all these were mentioned and the men that worked for the post engineers stepped forward and guaranteed these different lines of work to be in perfect order. After we started to repair, we found the following:

My private storage cupboards were entered and 72 pairs of window drapes were used as shower curtains.

Fifty lamp shades were just walked on, 10 lobby pictures were broken.

The water cooler was removed from the building and had to be repaired before it could be used.

Two sections of my files have not yet been returned.

Twenty-six mattresses which were in Army storage and could not be seen at time of inspection, had to be completely rebuilt.

Seventeen railings from iron beds were and are still missing. This necessitated replacing with new furniture.

The post engineers had patched the plaster in many places but had missed behind beds, etc.

Twenty-nine window pulley ropes were gone. These were new the season before.

The roof was used as a sun garden and leaked. This had to be remopped.

The hot water system which had been new the season before was in bad repair. This necessitated a new burner and fire box relined.

The plumbing, when thorough inspection could be made, we found commodes cracked off at the floor, tanks were broken from the wall, their holders broken off, bath tubs were broken loose from the floor, radiators were moved in order to scrub under them and their connections were broken from the main line.

Regarding electric and bell system, in many cases wires were pulled out and cut off at the boxes, bell cords were taken out and used for radio aerial purposes. The wires of the reading lamps were pulled out in many cases and destroyed completely.

INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM 9015

When the Army took possession they asked that all electric light bulbs be left in their sockets and promised to fill same when building was returned. There were not any bulbs left when the Army vacated.

When I asked for \$6,000 restoration, Colonel Fitch said, "Oh, no, we won't pay that. We will give you \$3,600 and no more." But when he saw the damage he raised to \$4,500.

I was just 2 months at restoring this work.

GUST BLAIR.

STATE OF FLORIDA,
County of Pinellas:

Gust Blair, being first duly sworn, deposes and says that the above figures are true and correct to the best of his knowledge and belief.

Sworn to and subscribed before me this 3d day of January 1944.

[SEAL]

ELSIE H. PELLING,
Notary Public.

EXHIBIT No. 957

STATE OF FLORIDA,
County of Pinellas, ss:

On this 7th day of January A. D. 1944, before me, the undersigned authority, appeared A. B. Carter, who being duly sworn, deposes and says that he is the owner of the Williams Apartment Hotel, located at 325-327 Second Avenue South, in the city of St. Petersburg, Fla.; that his hotel was leased by the United States Army Air Forces, which occupied the property from the 16th day of August A. D. 1942 until some time in June A. D. 1943; that in estimating the damages done to his property, he did not have sufficient opportunity either to make a thorough check of the damage done, or of his personal property which he stored in various storerooms under lock in the hotel; that on the more or less cursory examinations which he was permitted to make, he estimated and so informed the War Department representatives that it would cost him fully \$4,800 to restore the premises to the condition it which it stood when it was taken over by the Army; that he was told by the War Department representatives that no such amount would be allowed, but that they would allow him the sum of \$1,800 for said damages and repairs; that subsequently this amount was increased by the said representatives to the sum of \$2,900 and he felt constrained to accept said amount rather than permit the property to be poorly restored by the Army and in order to permit him, through the expenditure of such additional funds of his own as might be necessary to restore and reopen the hotel before the fall season; that in taking possession of his property, he found that the various storerooms in which he had placed personal property had been entered while the hotel was in Army possession and much property removed, including some 40 dozen single sheets, some 25 dozen bath towels, some 20 dozen huck or hand towels, an electric iron, a cabinet radio (Crosley), 14 lamps and some 300 feet of rubber-covered wiring, and other miscellaneous articles, of an approximate value of some \$900; that up to the present time he has expended a total of \$3,777.60, said sum not including any cost of replacing articles which were missing in reconditioning his property and that he will be obliged to expend to complete the restoration of his property, approximately \$1,000 more; that the total amount which he has spent and will be obliged to spend, exceeds the settlement allowance by approximately \$2,777.60.

A. B. CARTER.

Sworn to and subscribed before me this 7th day of January A. D. 1944.

N. W. UPHAM,
Notary Public.

EXHIBIT No. 958

ST. PETERSBURG, FLA., December 31, 1943.

The TRUMAN COMMITTEE,
United States Senate,
Washington, D. C.

GENTLEMEN: The undersigned and his wife are the sole owners of Town Talk Bakery, Inc., which owns the bakery property at 2101 First Avenue North, St. Petersburg, Fla. The property, including building, machinery, and equipment,

is free and clear of any indebtedness, with assets as of December 31, 1941 (last full yearly report), of \$51,298.26. The Town Talk Bakery was a successful going concern doing a wholesale business, when the Army leased the property on August 15, 1942.

The earnings of the bakery for the past several years are as follows:

1938 (Apr. 1 to Dec. 31) full control of the business was acquired by the undersigned Apr. 1, 1938)-----	\$2, 163. 44
1939 (full year)-----	12, 398. 15
1940 (full year)-----	12, 206. 15
1941 (full year)-----	9, 863. 54
1942 (7½ months) (Army leased property Aug. 15, 1942)-----	6, 390. 41
Total-----	42, 745. 30
Average earnings per 12-month period-----	9, 770. 40

We have been advised that the Town Talk Bakery is the only bakery, with one exception, which has been leased by the Army, not only in this area but in the United States.

No one solicited the Army, directly or indirectly, to lease this bakery. A Major Deigner, of the Army Air Training Force, informed the undersigned (after a personal survey of the bakery) that the Army wanted the property for a bakers' school; that he had inspected all other local bakery properties and, although they hated to take the Town Talk Bakery "out of circulation," that it was the one they wanted. This statement was made by Major Deigner after he had been informed by the undersigned that the company had received a request to bid on 500,000 pounds of bread, from the purchasing agent of the same Army training unit that Major Deigner represented.

Throughout the years, the Town Talk Bakery has made bread and other baked products for the United States Coast Guard, Maritime Training Station, United States Veterans Home and Hospital at Bay Pines, and our local city hospitals.

Major Deigner claimed this property was needed to establish a bakers' school. The property at no time has been used as a bakers' school. Instead, a crew of bakers was assigned to the bakery to make pies, cakes, cookies, and dark breads for the various messes of the local training unit.

For your information, another wholesale bakery, formerly operated by the West Central Baking Co., was idle and available at the time the lease for the Town Talk Bakery property was signed.

In the discussions with the officer who handled the leasing of the property, the undersigned was advised that no consideration would be given for going-concern value, earning capacity, or the damages which would necessarily accrue on account of having to abandon the company's organization, which was, in fact, one of its most valuable assets.

Your attention is also called to the fact that when the Army decided they wanted to lease this property, the undersigned was advised by the officer who was handling the matter, Mr. Morris Spooner, that unless we could get together on a basis that the Army was willing to pay, that the usual procedure was for the Army to take possession, on a Federal court order, and that the court would then decide on the amount of compensation.

The annual rental to be paid by the Army for the bakery was finally fixed in the lease at \$6,250, which amount was considerably above the first offer. This figure was fixed notwithstanding the fact that depreciation, insurance and taxes (other than income-social-security and unemployment tax) for the year 1941 amounted to \$5,765.51.

Upon receipt of the Army's first offer, which amounted to some \$4,000, the undersigned volunteered to pay for the services of a disinterested appraiser, and agreed to accept his values regardless of whether they be higher or lower than our own. The Army then employed a Mr. Donahoo, who made an appraisal of the bakery property, and following his report being submitted, the final offer was made and accepted.

In closing lease negotiations with the Army, we did so at a considerably lower figure than we deemed fair and reasonable, because we fully realized that if we did not accept the amount offered, we placed ourselves in position to be looked upon as unpatriotic and standing in the way of the war effort. It is obvious what this would have done to our reputation and good will, in St. Petersburg.

The undersigned finds himself in the position that on August 1, 1943 (with restoration period extending to September 3, 1943), the property was turned

back to him by the Army; his organization, which included 26 skilled bakers, salesmen, office and other employees, is scattered and now employed in other essential work, where they are "frozen" by the War Manpower Act; his established business is gone, and he has on his hands a vacated, modern, equipped bakery. We have, through a number of sources, tried to locate a sufficient number of employees to reopen, but to date have been unsuccessful.

At the time we were negotiating to lease the Town Talk Bakery property, we had a flour contract with the International Milling Co. for 1,000 barrels of flour, of which 600 barrels had not been delivered. The writer, upon inquiry of Morris Spooner, with whom lease negotiations were being conducted, was advised that under the circumstances, this flour contract was cancelable, without damage to us. Based on this authority, we signed the lease without figuring on any damages accruing from this source. The International Milling Co., upon receipt of the cancellation, sent us an itemized bill for \$673.38, for selling costs, carrying charges, and differential in wheat prices. The writer took this matter up with Mr. Spooner but was unable to get any satisfaction. We had the legality of the matter looked into and learned that we could not legally avoid payment. We were finally offered an opportunity to settle the claim for \$250, which we accepted and for which we have acceptance of settlement and our canceled check.

The undersigned maintains that a gross injustice has been done:

First, for the Army's insisting upon leasing this property on the same basis as if it had been a tourist hotel, closed for the season, and not having an organization which it had taken years to train, and an advertised product to be taken off the market which had cost thousands of dollars to get established.

Second, for leasing the property for the purpose for which it has been utilized, when the Army could have purchased all the pies and cookies it wanted, right here in St. Petersburg.

And now, having turned this property back to us at a time when it is hopelessly impossible to get an organization together to operate it, and with fixed costs of approximately \$6,000 a year going on, means we will have to sustain a loss until such time as the business can be reestablished.

To date we have refrained from signing a release with the Government.

Understand, please, we are not looking for any special favors; but in view of the facts and circumstances as set out herein, we believe our case is deserving of full consideration and that we should be given protection from the inevitable losses which we are suffering.

Through your good offices we hope to be given such assistance and help as you may be able to give us, and would appreciate being advised.

Very truly yours,

GEORGE M. DUNN,
President, Town Talk Bakery, Inc.

STATE OF FLORIDA,
County of Pinellas:

Before me on this day personally appeared George M. Dunn, who, being first duly sworn, on oath states as follows:

That he is the president of Town Talk Bakery, Inc., St. Petersburg, Fla.; that he is the signer of the attached communication on four pages, addressed to the Truman committee of the United States Senate, and dated December 31, 1943; and that the statements of fact therein are true of his own knowledge, and that as to statements upon belief, he verily believes them to be true.

GEORGE M. DUNN.

Sworn to and subscribed before me this 31st day of December A. D. 1943.

[SEAL]

M. ANNIE MCRAE,
Notary Public, State of Florida.

My commission expires December 1, 1944.

TOWN TALK BAKERY, INC.,
St. Petersburg, Fla., August 2, 1943.

MR. RUDOLPH HALLEY,
Washington, D. C.

DEAR MR. HALLEY: Following up the conference I had with you when you were in St. Petersburg, and conforming with your request, we give you herein the information you wanted sent to you regarding the above-named firm.

The undersigned and his wife are the sole owners of Town Talk Bakery, Inc., which owns the bakery property at 2101 First Avenue North, St. Petersburg, Fla. The property, including building, machinery, and equipment, is free and clear of any indebtedness, with assets as of December 31, 1941 (last full yearly report), of \$51,298.26. The Town Talk Bakery was a successful going concern doing a wholesale business, when the Army leased the property on August 15, 1942.

The earnings of the bakery for the past several years are as follows:

1938 (Apr. 1 to Dec. 31) (full control of the business was acquired by the undersigned Apr. 1, 1938)-----	\$2, 163. 44
1939 (full year)-----	12, 398. 13
1940 (full year)-----	12, 206. 13
1941 (full year)-----	9, 862. 54
1942 (7½ months) Army leased property Aug. 15, 1942-----	6, 390. 41
Total-----	42, 745. 30
Average earnings per 12-month period-----	9, 770. 40

We have been advised that the Town Talk Bakery is the only bakery which has been leased by the Army, not only in this area, but in the United States.

No one solicited the Army, directly or indirectly, to lease this bakery. A Major Deigner, of the Army Air Training Force, informed the undersigned (after making a personal survey of the bakery) that the Army wanted the property for a bakers' school; that he had inspected all other local bakery properties and, although they hated to take the Town Talk Bakery "out of circulation" that it was the one they wanted. This statement was made by Major Deigner after he had been informed by the undersigned that the company had received a request to bid on 500,000 pounds of bread, from the purchasing agent of the same Army training unit that Major Deigner represented.

Throughout the years, the Town Talk Bakery had made bread and other baked products for the United States Coast Guard, Maritime Training Station, United States Veterans' Home and Hospital at Bay Pines, and our local city hospitals.

For your information, another wholesale bakery, formerly operated by the West Central Baking Co., was idle and available at the time the lease for the Town Talk Bakery property was signed.

The property at no time has been used as a bakers' school. Instead, a crew of bakers was assigned to the bakery to make pies, cakes, cookies, and dark breads, for the various messes of the local training unit.

In the discussions with the officer who handled the leasing of the property, the undersigned was advised that the rent would be based on the actual value of the property, but no consideration would be given for going concern value, earning capacity, or the damages which would necessarily accrue on account of having to abandon the company's organization, which was, in fact, one of its most valuable assets.

Your attention is also called to the fact that when the Army decided they wanted to lease this bakery, the undersigned was advised by the officer who was handling the matter, that unless we could get together on a basis that the Army was willing to pay, that the usual procedure was for the Army to take possession, on a Federal court order, and that the court would then decide on the amount of compensation.

The annual rental to be paid by the Army for the bakery was finally fixed in the lease at \$6,250, which amount was considerably above the first offer. This figure was fixed notwithstanding the fact that depreciation, insurance, and taxes (other than income, social security, and unemployment tax) for the year 1941 amounted to \$5,765.51.

Upon receipt of the Army's first offer, which amounted to some \$4,000, the undersigned volunteered to pay for the services of a disinterested appraiser and agreed to accept his values regardless of whether they be lower or higher than our own. The Army then employed a Mr. Donehoo, who made an appraisal of the bakery property and following his report being submitted, the final offer was made and accepted.

In closing lease negotiations with the Army, we did so at a considerably lower figure than we deemed fair and reasonable, because we fully realized that

if we did not accept the amount offered, that we placed ourselves in position to be looked upon as unpatriotic and standing in the way of the war effort. It is obvious what this would have done to our reputation and good will, in St. Petersburg.

The undersigned finds himself in the position that on August 1, 1943, the property was turned back to him by the Army; his organization, which included 26 skilled bakers, salesmen, office, and other employees, is scattered and now employed in other essential work; his established business is gone, and he has on his hands a vacated, modern-equipped bakery.

It is our understanding that when a survey of the abandoned property is made by the Army Engineers' Department under the supervision of Lt. Col. David Fitch, and settlement for any physical damages beyond ordinary wear and tear are adjusted, that it will be a closed affair.

The undersigned does not claim that a single detail of the lease has been violated, but does assert that, in his opinion, a gross injustice has been done.

First, for the Army insisting upon leasing this property on the same basis as if it had been a tourist hotel, closed for the season, and not having an organization which it had taken years to train, and an advertised product to be taken off the market which had cost thousands of dollars to get established.

Second, for leasing the property for the purpose it has been utilized, when the Army could have purchased all the pies and cookies it wanted, right here in St. Petersburg.

And now, having turned this property back to us at a time when it is hopelessly impossible to get an organization together to operate it, and with fixed costs of approximately \$6,000 a year going on, means we will have to sustain a loss for which we should be compensated.

Understand, please, we are not looking for any special favors, but in view of the facts and circumstances as set out in this letter, we believe our case is deserving of full consideration and that we should be given protection from the inevitable losses which we will suffer.

Through your good offices we hope to be given such assistance and help as you may be able to give us, and would appreciate being advised.

With kind personal regards and best wishes, I am,

Very truly yours,

GEORGE M. DUNN,

President, Town Talk Bakery, Inc.

EXHIBIT No. 959

STATE OF FLORIDA,

County of Pinellas:

I, Herbert D. Grant, state on oath that I am business manager for Harry R. Playford, the owner of property known as Empire Building, and situated on the southwest corner of Central Avenue and Third Street, St. Petersburg, Pinellas County, Fla.; that the said building was leased under date of July 10, 1942, by the War Department of the United States, and that I handled all of the details of this leasing and the management of the property during the time it was in possession of the War Department.

That originally 10 offices were furnished by us in the Empire Building free of charge to the War Department pending the decision as to whether they would occupy the hotels in the city as a training base; on July 10, 1942, a lease was made under the terms of which they took over the entire building and we were advised to inform our tenants to vacate as soon as possible, but that no tenants would be required to vacate in less than 30 days from the date of our notice. During this 30-day period the requirements of the Army officers were so great that they forced our tenants out or moved them from one floor to another, making it so unpleasant for them that they left; some tenants were moved out on the street without their knowledge and the entire building was vacant and ready for occupancy by the Army on July 15, 1942.

That we assumed at the time the building was taken over that it would be occupied for a considerable length of time, but it was turned back to us on July 31, 1943. Satisfactory settlement was made as to the physical damage done the building, but the manner of handling the tenants by the Army officers was such that it was impossible for us to get any of them to return to the

building when it was vacated. The only alternative was to lock up the property and the building is now and has been since July 31, 1943, entirely vacant. It will be necessary that it remain vacant until such time as business in the city reaches such a normal state that there will be a demand for office space.

In the meantime we have made efforts to convert the building into a hotel. Our figures showed that about \$6,000 of vital materials were necessary in order to make this conversion, most of these materials being plumbing fixtures and equipment. The Office of Price Administration after a number of conferences, turned down our request for the purchase of these vital materials, although we made every effort to convince them we should be granted this concession. We have taken up with the Engineering department of the War Department the question of being reimbursed because of this continued inoccupancy but they advise that they have no authority to make concessions of this character and that legislation by Congress is necessary.

On July 27, 1943, I went over this situation with Mr. Rudolph Halley, assistant counsel of the committee known as the Truman committee of the United States Senate, and I have assumed that the matter has been called to the attention of the committee by Mr. Halley. I sincerely feel that a considerable loss has been sustained by Mr. Playford in the arbitrary way in which our tenants were treated by the Army officers and the fact that they were alienated by this treatment so that it has been impossible for us to continue operating this building as an office building.

Witness my hand at St. Petersburg, Pinellas County, Fla., this 4th day of January 1944.

HERBERT D. GRANT.

Sworn to and subscribed before me this 4th day of January 1944.

[SEAL]

C. O. BOSWORTH,

Notary Public State of Florida at large.

My commission expires February 8, 1945.

EXHIBIT No. 960

JULY 15, 1943.

Re Tides Hotel.

Mr. GLYNN O. RASCO,

*Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.*

DEAR MR. RASCO: With reference to the Tides Hotel, Miami Beach, of which I am the owner, may I say that this is to confirm that I desire to have a readjustment of rental on my hotel. The amount being paid to me is not adequate.

I urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

S. M. GRUNDWERG.

Affidavit of Meyer Cohen, Treasurer of Tires Purchasing Co., Inc., Owners of Tides Hotel, 1220 Ocean Drive, Miami Beach, Fla.

STATE OF FLORIDA,

County of Dade, ss:

Personally appeared before me, the undersigned authority duly authorized to take acknowledgements and administer oaths, Meyer Cohen, treasurer of Tires Purchasing Co., Inc., owners of Tides Hotel, 1220 Ocean Drive, Miami Beach, Fla., upon his oath deposes and says:

That the Tides Hotel is located at 1220 Ocean Drive, Miami Beach, Fla., and is at present leased to the United States Government and has been leased to the United States Government since the month of April 1942, at the annual rental of \$34,600, payable in monthly installments of \$2,883. Affiant further says that there is an outstanding indebtedness against the aforementioned hotel in the amount of \$160,600. Affiant further says that on February 1, 1944, there is a payment due of \$10,000 to Samuel Jamison, one of the mortgagees, and that out of the income from the United States Government, that your affiant will be

unable to meet this payment. Affiant further says that he is solely dependent upon the income from his hotel to meet outstanding obligations; that he has no other means of raising money. Affiant further says that if in the event of default in the aforementioned sum of \$10,000 on February 1, 1944, he is inclined to the opinion that said mortgagee will in all probability institute foreclosure proceedings and he is in great danger of losing his property. Affiant further says that out of the rentals paid by the United States Government for the lease of this property, there has been no surplus left and affiant has exhausted all avenues of revenue that he has formerly resorted to to maintain this property. Affiant asks the Truman committee to give this matter their earnest attention and protect the owner of said property by either increasing the revenue of said property or requesting said mortgagee to grant your affiant an extension of said payment.

MEYER COHEN.

Sworn to and subscribed before me this 4th day of January A. D. 1944.

[SEAL]

MILDRED PROTHRO,

Notary Public, State of Florida at Large.

My commission expires February 3, 1947.

EXHIBIT No. 961

I signed my lease after March 24, 1942.

Date	Name	Address	Hotel
	Frederic R. Hornpage.....	929 W. 40th St.	Nautilus, Flamingo, King Cole.
Nov. 1, 1942.....	Irving Frankel.....	4532 Sheridan Ave.....	Normandie.
Nov. 9, 1942.....	V. Nakeen.....	101 Ocean Drive.....	Strath Haven.
Nov. 23, 1942.....	do.....	do.....	Embassy.
Nov. 16, 1942.....	Paul Chentoff.....	3737 Collins Ave.....	Caribbean.
Nov. 12, 1942.....	Arthur Pancoast.....	927 41st St.....	Pancoast.
Nov. 1, 1942.....	J. Walter Butcher.....	New Southern Hotel, 600 Alton Rd.	New Southern Hotel.
May 28.....	G. Taber.....	Park Central.....	640 Ocean Drive.
April.....	Wm. G. Mechanic.....	Essex House.....	1001 Collins Ave.
Do.....	do.....	Warwick Apartments.....	1021 Collins Ave.
Apr. 12.....	Ester Holding Co.....	Victor Hotel.....	1141 Ocean Drive.
May 23.....	Louis and Harry Miller.....	Poncearo Hotel.....	1540 Collins Ave.
Nov. 21.....	Thomas H. Horobin.....	Park View Island.....	839 73d St.
June.....	Joseph Edell.....	Grossinger Hotel.....	1701 Collins Ave.
May.....	Harry Browarnik.....	New Yorker, Inc.....	1611 Collins Ave.
Apr. 22, 1942.....	Ethel Silverman, former owner; Dora Eisenberg, now owner.	Commodore Hotel.....	14th and Collins Ave.
Nov. 18, 1942.....	Joseph H. Gardner.....	Clavelon Hotel.....	4210 Collins Ave.
Nov. 1, 1942.....	Isadore L. Laffer.....	Simone Hotel.....	321 Ocean Drive.
Do.....	Harry Levine.....	La Salle Hotel.....	844 Collins Ave.
Jan. 3, 1943.....	Harry Zeilinger.....	Rivoly Apartments.....	800 Collins Ave.
April.....	Irving Evans.....	Hotel Evans.....	953 Collins Ave.
November.....	F. M. Power.....	Lale Apartments.....	211 Collins Ave.
Nov. 15, 1942.....	H. A. Brown.....	8751 Collins Ave.....	Arnold.
Dec. 11, 1942.....	Hiram S. Robinson, lessee.....	1621 Collins.....	Georgian.
Nov. 1, 1943.....	Dr. Maurice A. Sturm.....	711 5th St.....	MacArthur.
July 17, 1942.....	Esther M. Barlow.....	834 Ocean Drive.....	Helene Apartments.
Nov. 1, 1942.....	Max E. Gottlieb.....	9340 Collins Ave.....	Bougain Villa.
Apr. 20, 1942.....	Palm Corporation.....	Albion Hotel.....	Lincoln Rd., corner James.
May 15, 1942.....	Atlantis Hater.....	2653 Collins Ave.....	
Oct. 15, 1942.....	Lincoln Center.....	Lincoln Rd.....	Euclid Ave.
Apr. 1, 1942.....	Alfred Stone.....	4175 N. Alton Rd.....	Blackstone.
Dec. 17, 1942.....	Dorothy Evans.....	3621 Collins Ave.....	Patrician.
Nov. 19, 1942.....	Ben Turchin.....	Sea Isle Hotel.....	Sea Isle.
Apr. 8, 1942.....	N. H. Hankoff.....	Royal Palm Hotel.....	
Do.....	J. M. Rore.....	do.....	
November 1942.....	C. R. Sapiro.....	Marr Ocean Villas.....	
Do.....	R. Godson.....	Oceanic Villas.....	
Do.....	do.....	Surf Edge Hotel.....	
April 1942.....	N. B. T. Ronig.....	Cromwell Hotel and Iron House.	

EXHIBIT No. 962

[From the Miami (Fla.) Daily News, Monday, March 23, 1942]

MIAMI INVITES ARMY UNITS; BEACH MAY LOSE CENTER

CITY TO TAKE OVER COUNTRY CLUB AS TRAINING GROUND—HANKS THINKS HOTEL DEALS
MAY BE REOPENED BY ARMY

(By Benton Jacobs)

The city of Miami is "ready, willing, anxious, and able" to fully cooperate with either the United States Army or Navy or both in providing training and housing facilities, it was declared at a meeting of city officials and the chamber of commerce in the Chamber of Commerce Building, Monday afternoon.

Mayor Cliff H. Reeder declared the city already has made arrangements to take over the Miami County Club's golf course for a drill ground in the event either the Army or Navy leases a replacement or training center here, and declared that 14,000 hotel and apartment house rooms are available in easy distance of the golf course.

Mayor Reeder, of Miami, late Monday announced he had received 63 telegrams from Greater Miami hotel and apartment house owners offering 7,000 rooms to the Army here at any price the Army wanted to pay.

Telegrams have been dispatched to both the Army and Navy carrying this information.

Emett Choate, attorney for the Du Pont interests here, representing the Alcazar Hotel, and chairman of the Coordinating Committee for Defense in Dade County, declared there was a possibility that the Navy, which already has designated Miami as its particular "own," may send from 20,000 to 25,000 men here for training.

The sense of the meeting was that if the Army decides to pass up Miami Beach as a site for establishing a replacement center, Miami is ready to welcome the soldiers here.

Among those in attendance at the session were, besides Mayor Reeder, City Manager A. B. Curry, Frank Kelly, and Joe Power, representing the city; George Adams, of the Miami Country Club; Otto Fischer, secretary of the Miami Hotelmen's Association; John Shuey, representing the Columbus Hotel; Leonard Thomson, of the McAlister Hotel; and C. F. McMullen, of the Miami Apartment House Owners' Association.

Late Monday the committee appointed by John Duff, president of the Miami Beach Hotel Association, to seek reopening negotiations, met with Lt. Richard Talley, Air Corps contracting officer in charge of leasing housing facilities for the receiving center. Members of the committee are Mayor Val C. Cleary, of Miami Beach; Councilman de Hirsch Myer; Bryan Hanks, defense council chairman; Al Stone, owner of the Blackstone Hotel; and E. D. Keefer, director of Miami Beach Chamber of Commerce and prominent estate appraiser.

Hope for the reopening of negotiations with Miami Beach hotels to house "many thousands" of United States Army Air Corps troops in connection with the establishment of an Air Corps reception center on Miami Beach was voiced Monday by Bryan Hanks, chairman of the Dade County Defense Council.

After conferring with local Air Corps officers and the Miami Beach Chamber of Commerce, Hanks told some 125 Beach hotel owners that he believed that the right attitude on their part would result in a reopening of the negotiations which the War Department ordered canceled Saturday.

Climax of the meeting came when Bruno Weil, owner of the Belmar Hotel, charged hotels failed to live up to their original agreements on leasing their properties. He said they have adopted this attitude with the hopes that Government money may pay off their incumbencies. The three mentioned were charged with being among the five or six involved.

"They are individuals who in the next 6 months will drown anyway," Weil said. "They hoped Government money would save them."

At the conclusion of Weil's statement all persons present in the hall declared that the attitude of the offending hotels does not represent the sentiment and the willingness to cooperate on the part of some 300 other Miami Beach hotels.

It was brought out in the meeting that the proposed reception center will probably be larger than any person in this area had expected.

Hanks said that Maj. Gen. Henry Arnold, Chief of the United States Air Corps, and other high ranking officials, had inspected facilities as far north

as Baker's Haulover and had indicated extensive drill fields might be needed.

In search for warehouse facilities, Hanks said, the investigators went all the way to Fort Lauderdale. They checked extensively garage facilities and most facilities in both Miami and Miami Beach. During the meeting it was also pointed out that Army negotiators ran into difficulties when they attempted to lease a hotel near the administration building of the officers candidate school.

In reviewing the entire situation and development of the Miami Beach reception center project, Hanks pointed out that hotel men of the area had met together at least four times before negotiations got under way and during all those meetings there had been only one objection.

That, he said, came from officials of a hotel which had questioned the wisdom of the Army's leasing hotels instead of erecting cantonments. Later, he said, those officials were convinced of the wisdom of the Army's project, and finally there had been no objecting voice when it was announced that the Army was ready to undertake negotiations, and it was known by all hotel men that the maximum amount of rent to be paid was \$10 per man per month.

"We all understood that clearly," Hanks declared.

The defense chairman said that in order that there might be no mistake he had asked individually every owner represented at the meeting and all had agreed.

Brig. Gen. Ralph H. Wooten, ordered here by the Army Air Corps to take charge of proposed technical command activities, declared, "It was most unfortunate that preliminary proposals have not been met when actual negotiations were undertaken * * * and it is considered advisable to look elsewhere for the location of necessary accommodations."

DEMANDS "UNREASONABLE"

General Wooten held out little hope for the resumption of negotiations, however, and was forthright in terming the refusal of the five or six hotels to stand by original price agreements as "unfortunate" and also terming their rate demands as "unreasonable." He very frankly stated that after officers in charge of negotiations reported to their superiors the lack of cooperation among certain individuals, orders had been issued to immediately stop all action and call off all deals. General Wooten issued the following written statement:

"I arrived at Miami Beach Sunday afternoon, under orders to command the Air Corps replacement training center, which was supposed to be established at Miami Beach. These activities were to consist of the Air Corps officers' candidate school, with temporary headquarters at the municipal golf course, and a replacement training center for the reception and training of Air Corps technical enlisted men.

POLICY EXPLAINED

"It was my understanding that the War Department contemplated establishing these units in the Miami area after receiving an invitation from the citizens of this area to use the facilities which were supposedly available for this purpose. It is the policy of the chief of the Army Air Corps to use whatever facilities can be made available to prevent the construction of additional temporary facilities, which would not be needed at the end of the war. There is also the problem of providing facilities as rapidly as possible to take care of the immediate expansion requirements of the Air Force. It was thought that the facilities which the Miami area offers would provide the requirements needed for the personnel of the Air Corps without undue delays.

"In accordance with the invitation of the citizens of the Miami area, negotiations were conducted to obtain the necessary housing, messing, warehousing, hospital, recreation, and other facilities.

"It is considered most unfortunate that the preliminary proposals have not been met when actual negotiations were undertaken. The city officials and some of the hotel owners have cooperated fully in meeting the requirements of the Government, at the original prices offered in the preliminary investigation.

SMALL GROUP BLAMED

"A small number, however, have attempted to charge unreasonable rates for the use of their facilities after indicating that they would accept on the same basis as the others. This action necessitated the discontinuance of negotiations on Saturday. As it is essential that all facilities required by this installation

be made available if these activities are to be established, it is considered advisable to look elsewhere for the location of the necessary accommodations."

In a press conference, which was attended by Lt. Richard Talley, the contracting officer, Col. James S. Stowell, commandant of the Officers' Candidate School, and other Air Corps officials, it was pointed out that there are five or six hotels blocking the establishment of the reception center.

Elsewhere on the beach it was learned that the original plans were to take over many of the ocean-front hotels from the vicinity of Twenty-fourth Street southward. There were reports that some of the best known of the exclusive ocean-front hotels were to be included.

CONCENTRATION NEEDED

Army officials had pointed out that it is important that the housing facilities be kept close together and that it would be "unfortunate" if large hotels in key positions were to prove uncooperative.

The matters of transportation, warehousing, hospitalization, recreational facilities have not yet been thoroughly investigated, but housing was admittedly the Air Corps' principal problem.

General Wooten pointed out that speed was one of the most important elements in establishing the new center and declared:

"The Japs and the Germans are not waiting for hotel men to make up their minds as to what they are going to do."

Reports have it that one hotel's owner made a very patriotic speech before the Hotel association and later told the contracting officer and others that if the Government needed his hotel he would surrender it for a dollar a year.

On the following day when the officers appeared with contracts based on what they considered a fair price and one in line with the prices offered—and accepted—in the case of other hotels, the manager calmly announced that he would consider a lease only after the Army had paid him \$90,000 cash for the hotel furniture.

Another incident reported to have irked the Army men was that of an ocean-front hotel whose owners last year tried in vain to lease their house for \$50,000. Their price to the Air Corps was \$80,000.

EXHIBIT No. 963

BLACKSTONE HOTEL AND CABANA CLUB,
Miami Beach, Fla., July 21, 1943.

MIAMI BEACH HOTEL OWNERS ASSOCIATION,
Miami Beach, Fla.

GENTLEMEN: I certainly hope that you will be successful in your endeavor to have an impartial committee appointed to act as final arbiter in the question of damages and unusual depression caused by the Army's use of hotels.

It seems unreasonable to me that the Army should act both as tenant and as judge of the damages caused by tenant.

Very truly yours,

ALFRED STONE, *President.*

EXHIBIT No. 964

THE CROMWELL HOTEL,
Miami Beach, November 16, 1943.

Senator HARRY S. TRUMAN,
Senate Office Building, Washington, D. C.

DEAR SENATOR TRUMAN: When the Army first came to Miami Beach, I was president of the Miami Beach Hotel Association. I met with Col. James S. Stowell, the first commanding officer, on his arrival, showed him what buildings were immediately available and on the following day personally began to close leases on various buildings with Lt. Richard Talley.

When trouble started between the property owners and the Army officers there was a general meeting of the chamber of commerce and the hotel association to cope with the situation and I was elected to act as chairman of a committee I

was to select, to be known as the Army Cooperative Committee. We immediately began to function in appraising property and making leases for the Army. In 3 months about 200 leases were made by the committee I headed.

I understand there is going to be a hearing on complaints of property owners who claim unfair deals. I would be glad to be of any assistance to you, as I believe I am as familiar with all details of the Army occupation here as any other man. I worked very closely with General Wooten during his stay here, as well as Colonel Stowell. I am not a property owner, but still wish to be of service if I am needed.

I can be reached at my home, 2035 North Bay Road, Miami Beach.

Yours very truly,

JOHN M. DUFF, Jr.

P. S.—I made up a complete report of the Miami Beach Army situation for Senator Pepper prior to one of his visits to President Roosevelt regarding the Army here.

EXHIBIT No. 965

FUTCH & WEIL,

Miami Beach, Fla., January 7, 1944.

The TRUMAN SENATE COMMITTEE,

In Session, Council Chambers, City Hall,
Miami Beach, Fla.

(Attention: Senator Harley Kilgore and Senator Homer Ferguson.)

GENTLEMEN: Permit me to present the following statement of facts in contradiction and correction of certain statements made under oath to your committee this day by Mr. John M. Duff, Jr., which statements I consider to be erroneous.

First. Mr. Duff was not elected by unanimous vote of Miami Beach hotel owners at the March 23, 1942, meeting to the chairman of the civilian coordinating committee but was appointed as such by Mr. Bryan Hanks, then chairman of the Dade County Defense Council. Mr. Hanks had no connection whatsoever with the Miami Beach Hotel Association, nor did he represent Miami Beach hotel owners. Hanks made the appointment by his own choice and without approval of the hotel owners.

Second. Members of that civilian coordinating committee were chosen by Mr. Duff and a few Miami Beach men and not by vote or consent of Miami Beach hotel owners in session. As a matter of fact, at no time did we consider that this committee represented the Miami Beach hotel owners.

Third. To the best of my knowledge, Mr. Duff did not negotiate or close personally—nor was he present at the negotiation or closing of many (if any) of the options or leases. Therefore, as far as I know, Mr. Duff is in no position to have made the statement that owners of approximately 200 hotels leased were generally satisfied with their leases. Practically all negotiations were handled by either of the following members of the civilian coordinating committee: Mr. Baron DeHirsch Meyer and Mr. Marcy Lieberman of the committee; Mr. John Frazure and Mr. Joe Elsener, Government-employed civilian negotiators, in the presence of either Lieutenant Holliman or Capt. D. Fitch for the Air Corps, and in numerous instances by only the first two mentioned committee members. I doubt that Mr. Duff has any idea of the true facts and, if he persists in his testimony given this morning, he apparently has forgotten most of the true facts.

Fourth. Mr. Duff definitely made the statement I have read at the request of Senator Ferguson at the meeting this morning. Notwithstanding Mr. Duff's denial of having made such a statement, Mr. Ben Turchin, of Miami Beach, and others I shall be glad to name, were present when Mr. Duff made this statement, and I am certain that Mr. Turchin and others are willing to testify to the truth of the matter.

Fifth. With particular reference to the letter written by the civilian coordinating committee to the Government in April 1942, calling the Government's attention to the splendid work which this committee performed without remuneration, and as read in the hearing this morning by Senator Ferguson, which letter bears many signatures, but the first of which is that of John M. Duff, Jr., the statement in that letter that most hotel owners who had signed options or leases to the date of that letter were satisfied with their leases, is a gross misstatement of facts as they existed at that time. While Mr. Duff would not explain why this

letter was written, a fact of which no hotel owner outside of the committee had any knowledge until this letter was brought out today, the following truth of possibly underlying motives should be made known:

To the best of my information, Mr. John M. Duff, Jr., and Mr. Baron DeHirsch Meyer, of the committee, expected to receive commissions in the Air Corps. Mr. Duff, particularly, was most anxious to get a majority. Despite the fact that Mr. Duff had not as yet received a commission, he was for some reason or another permitted to attend one full course of the officers' training school here and, since completion of that course, Mr. Duff carries a graduation certificate inscribed "Maj. John M. Duff, Jr." While Mr. Baron DeHirsch Meyer received a commission in the Air Corps, for some reason or another, Mr. Duff's commission was never granted to this day. This fact may be one of the reasons of Mr. Duff's strong statement against Air Corps officers, as read by me in this morning's session of your committee.

In conclusion, allow me to state that we have not had the opportunity of cross-examination, and the inferences which might be drawn from Mr. Duff's testimony could be refuted by cross-examination or further investigation, as there is much yet to be disclosed.

Respectfully yours,

BRUNO WEIL.

Exhibit No. 966 appears in text on pp. 8775-8776

EXHIBIT 967

[From the Miami Beach Daily Tropics, Monday, March 23, 1942]

CITY ASKS AIR CORPS TO STAY—GOUGING BY FEW HOTELS IS ASSAILED

WHAT PRICE PATRIOTISM?

(An editorial)

Because a few selfish hotel men have sought to gouge the Government by demanding unreasonable prices for their properties, vitally needed by the War Department for its development of Air Corps facilities here, the Army has halted its negotiations in Miami Beach and is ready to shift its operations to St. Petersburg or some other location.

It is an outrage and a disgrace to the community that five or six avaricious individuals, in view of the present emergency, should seek to block the establishment of a military expansion, vital not only to the Army and the welfare of the Nation, but vital to the very existence of the city of Miami Beach for the duration of the war.

It seems obvious that with wartime restrictions on travel, fuel, tires, there will be little tourist business for Miami Beach for the remainder of the war, yet these hotels are insisting on prices based on normal conditions, demanding their "business as usual" profits.

These selfish and unpatriotic men, who probably are the first to leap to their feet when the flag passes by or when a band plays the National Anthem, are accomplishing an effective bit of internal sabotage for our Axis enemies, whether they think so or not.

If the Army moves away and deprives Miami Beach of its biggest and only chance to help the war effort, then these hotels should be blacklisted and if possible branded with a mark of shame for all to see for all time.

The Daily Tropics has the names of these hotels and their owners. It is withholding publication of these names in the hope and belief that these persons may reconsider their position in view of the latest development. But if the stand is not altered, then the Daily Tropics intends not only to publish the names of the hotels and their owners but to republish them from time to time as reminders to the public.

One of the hotel men was quoted as saying he "couldn't afford" to accept the price offered by the Army. We wonder whether our soldiers could afford to march off to war at \$21 a month, to have their lives snuffed out in the Philippines or Hawaii or Australia. What do these hotel men think of the gallant men in the fox holes of Bataan?

If these selfish men succeed in driving the Air Corps out of Miami Beach, they will become "Quislings" in the eyes of all true patriots.

An aroused public opinion, if it is not already too late, may produce the leverage to force these few selfish interests to yield to the demands of community and national welfare, even at their own sacrifice if necessary. But, based on past experience, no sacrifice would be necessary because the Government always has dealt in fairness in its negotiations for emergency expansion.

We earnestly hope that in the interests of civic decency, these few hotel men will reconsider their stand and permit the Government to reopen negotiations on a reasonable basis. Time is of the essence. Another day may be too late.

Already today, we have heard any number of people say: "I'm ashamed to be a part of Miami Beach."

CITY ASKS AIR UNITS BE KEPT HERE—GOUGING BY FEW HOTELS ASSAILED—CIVIC GROUPS ACT

Miami Beach business and civic leaders, aroused by the announcement that a small group of five or six hotels has blocked plans of the War Department for expanding its Air Corps training facilities here, moved swiftly into action this afternoon in a last minute attempt to influence these hotel men to reopen negotiations with the War Department before the Air Corps shifts its expansion program to another city.

Directors of the Miami Beach Chamber of Commerce and the Miami Beach Hotel Association both called emergency meetings for this afternoon at the Cromwell Hotel to discuss methods for prevailing upon the small group of hotel men to yield from their "exorbitant demands."

Thomas H. Beddall, president of the chamber of commerce, and John M. Duff, president of the hotel association, both declared "every possible effort" would be made to influence the half dozen hotel men to reconsider their action, which threatens to impede the progress of national defense and to smear the reputation of the city of Miami Beach.

Bryan Hanks, chairman of the Dade County Defense Council which invited the War Department to establish its officers candidate school and a training and reception center here, also was directing his efforts to alter the stand of the small group of hotels.

The action of the five or six hotel men, who are said to have more than doubled their original price demands of the War Department after agreeing to an original commitment, was revealed in an official statement made by Brig. Gen. Ralph H. Wooten, who arrived here yesterday to assume command of the Air Corps operations in this area.

General Wooten, commenting on the unexpected developments which greeted his arrival, declared.

"The Japs and Germans aren't waiting for a small group of hotel owners to make up their minds. The time element in our plans is of utmost importance right now. We must get our plans under way immediately, whether under tents in Texas or some place else."

The general's official statement follows:

"I arrived in Miami Beach yesterday afternoon under orders to command the Air Corps replacement training center, which was supposed to be established in Miami Beach. These activities were to consist of the Air Corps Officers Candidate School with headquarters at the municipal golf course, and a replacement training center for the reception and training of Air Corps technical enlisted men.

"It was my understanding that the War Department contemplated establishing these units in the Miami area after receiving an invitation from the citizens of this area to use the facilities which were supposedly available for this purpose. It is the policy of the chief of the Army Air Force to use whatever facilities can be made available to prevent the construction of additional, temporary facilities which would not be needed after the war. There is also the problem of providing facilities as rapidly as possible to take care of the immediate expansion requirements of the Air Force. It was thought that the facilities, which the Miami area offers, would provide the requirements needed for this personnel of the Air Corps without undue delays.

"In accordance with the invitation of the citizens of the Miami area, negotiations were conducted to obtain necessary housing, messing, warehousing, hospital, recreation, and other facilities.

"It is considered most unfortunate that the preliminary proposals have not been met with when actual negotiations were undertaken. The city officials and some of the hotel owners have cooperated fully in meeting the requirements of the Government at the original prices offered in the preliminary investigation. A small number, however, have attempted to charge unreasonable rates for the use of their facilities, after indicating that they would accept on the same basis as the others. This action necessitated the discontinuance of negotiations on Saturday. As it is essential that all facilities required by this installation be made available if these activities are to be established, it is considered advisable to look elsewhere for the location of the necessary accommodations."

General Wooten was surprised when he arrived yesterday to learn the negotiations had been broken off. He expressed regret over the unexpected turn of events, in view of the fact that preliminary surveys and proposals had upheld the feasibility of locating the Air Corps establishment here.

The Air Corps staff already has begun its surveys of other locations, one of them said to be St. Petersburg, and others said to be Louisiana State University, Texas Agricultural and Mechanical University and other southern colleges and universities.

Col. Mert Proctor, formerly of Fort Sam Houston, Tex., also has been in Miami Beach for the last week to take command of the proposed replacement center.

Both the replacement center and the Air Corps Officers Candidate School, under command of Lt. Col. James S. Stowell, were to have been under the wing of General Wooten.

Colonel Stowell said he hoped it would be possible to continue the school here, if additional facilities can be made available when needed for further expansion.

However, it was indicated it is entirely possible the Air Corps may decide to move the officer candidate school elsewhere in order to keep it coordinated with the technical training command replacement and training center.

The replacement center would involve the housing and training of several thousand troops, General Wooten indicated. He and his staff indicated the basis of negotiations with the various hotels had been described as economically sound by various banks, making it possible that none of the hotel owners would face loss of their properties.

Many leading citizens of Miami Beach communicated with the Daily Tropics during the day, voicing indignation over the fact that a few persons stood in the way of this city's participation in the war effort.

It was pointed out that many hotels have been offered to the War Department, but many of these did not fit into the Air Corps organization plan. The half dozen buildings which led to the breaking off of negotiations were identified as key hotels in the plan of organization, and without which the Air Corps felt it could not properly function here.

Exhibit No. 968 appears in full in the text on p. 8782

EXHIBIT No. 969

[From the Miami (Fla.) Daily News, Monday, March 23, 1942]

BEACH FIGHTS TO SAVE VAST ARMY REPLACEMENT CENTER

DEMANDS OF SMALL HOTEL GROUP BLAMED FOR SHIFT IN PLANS—GENERAL WOOTEN SAYS PRICES HIKE BEYOND REASON BY FIVE OR SIX

Developments came thick and fast Monday as Miami Beach waged a fight to "save" the establishment of a United States Army Air Corps replacement center on the beach. Negotiations for the setting up of the center, which would mean the housing of thousands of soldiers on Miami Beach, fell through Sunday when five or six hotel owners went back on original price agreements. Monday's developments were:

1. Both the Army and Dade County Defense Council refused to name the offending hotels.

2. Brig. Gen. Ralph H. Wooten, ordered here by the Army Air Corps to take charge of proposed technical command activities, declared: "It was most unfor-

fortunate that preliminary proposals have not been met when actual negotiations were undertaken * * * and it is considered advisable to look elsewhere for the location of necessary accommodations."

3. A War Department spokesman told the Washington bureau of the Miami Daily News that negotiations which will be consummated on a mutually cooperative basis are under way both in Miami and St. Petersburg to determine which locality offers more desirable facilities for setting up a replacement center.

4. Miami Beach hotel men called a meeting at the Cromwell Hotel for 3 p. m. to make a final effort to continue negotiations with the Army. The names of the offending hotels were to be exposed at this meeting.

5. There were no indications that the officer candidate school already established on the beach would be moved. Lt. Col. James S. Stowell said that if facilities could be secured the school's planned expansion program would be carried out.

DEMANDS "UNREASONABLE"

General Wooten held out little hope for the resumption of negotiations, however, and was forthright in terming the refusal of the five or six hotels to stand by original price agreements as "unfortunate" and also terming their rate demands as "unreasonable." He very frankly stated that after officers in charge of negotiations reported to their superiors the lack of cooperation among certain individuals, orders had been issued to immediately stop all action and call off all deals. General Wooten issued the following written statement:

"I arrived at Miami Beach Sunday afternoon, under orders to command the Air Corps replacement training center which was supposed to be established at Miami Beach. These activities were to consist of the Air Corps officers' candidate school, with temporary headquarters at the municipal golf course, and a replacement training center for the reception and training of Air Corps technical enlisted men.

POLICY EXPLAINED

"It was my understanding that the War Department contemplated establishing these units in the Miami area after receiving an invitation from the citizens of this area to use the facilities which were supposedly available for this purpose. It is the policy of the Chief of the Army Air Corps to use whatever facilities can be made available to prevent the construction of additional temporary facilities, which would not be needed at the end of the war. There is also the problem of providing facilities as rapidly as possible to take care of the immediate expansion requirements of the Air Force. It was thought that the facilities which the Miami area offers would provide the requirements needed for the personnel of the Air Corps without undue delays.

"In accordance with the invitation of the citizens of the Miami area, negotiations were conducted to obtain the necessary housing, messing, warehousing, hospital, recreation, and other facilities.

"It is considered most unfortunate that the preliminary proposals have not been met when actual negotiations were undertaken. The city officials and some of the hotel owners have cooperated fully in meeting the requirements of the Government, at the original prices offered in the preliminary investigation.

SMALL GROUP BLAMED

"A small number, however, have attempted to charge unreasonable rates for the use of their facilities after indicating that they would accept on the same basis as the others. This action necessitated the discontinuance of negotiations on Saturday. As it is essential that all facilities required by this installation be made available if these activities are to be established, it is considered advisable to look elsewhere for the location of the necessary accommodations."

In a press conference, which was attended by Lt. Richard Talley, the contracting officer, Col. James S. Stowell, commandant of the officers candidate school, and other Air Corps officials, it was pointed out that there are five or six hotels blocking the establishment of the reception center.

Elsewhere on the beach it was learned that the original plans were to take over many of the ocean-front hotels from the vicinity of Twenty-fourth Street southward. There were reports that some of the best known of the exclusive ocean-front hotels were to be included.

CONCENTRATION NEEDED

Army officials had pointed out that it is important that the housing facilities be kept close together and that it would be unfortunate if large hotels in key positions were to prove uncooperative.

The matters of transportation, warehousing, hospitalization, recreational facilities have not yet been thoroughly investigated, but housing was admittedly the Air Corps' principal problem.

General Wooten pointed out that speed was one of the most important elements in establishing the new center and declared:

"The Japs and the Germans are not waiting for hotel men to make up their minds as to what they are going to do."

Reports have it that one hotel's owner made a very patriotic speech before the hotel association and later told the contracting officer and others that if the Government needed his hotel he would surrender it for a dollar a year.

On the following day, when the officers appeared with contracts based on what they considered a fair price and one in line with the prices offered—and accepted—in the case of other hotels, the manager calmly announced that he would consider a lease only after the Army had paid him \$30,000 cash for the hotel furniture.

Another incident reported to have irked the Army men was that of an ocean-front hotel whose owners last year tried in vain to lease their hotel for \$50,000. Their price to the Air Corps was \$80,000.

[From the Miami (Fla.) Daily News, Monday, March 23, 1942]

PRICE INCREASE BY FIVE OR SIX HOTELS BLAMED AS ARMY HALTS EXPANSION AT BEACH

MOVE TO REVIVE DEAL HINGES ON LOCAL ACTION—ATTEMPT TO PROFITEER AT EXPENSE OF GOVERNMENT SCORED BY WOOTEN

Selfishness and personal interest on the part of five or six Miami Beach hotel owners who attempted to profiteer at the expense of the Government were named Monday as the reasons why the Army Air Corps has dropped negotiations for the establishment of an Air Corps replacement center on Miami Beach.

Brig. Gen. Ralph H. Wooten, who had been sent here to command Air Corps activities of a technical nature in the Miami area told newspapermen that some hotel owners, after agreeing on prices at which they would lease their hotels to the Army had, at the last minute, increased their prices to a point where it was impossible to do business with them.

Lt. Richard Talley, contracting officer in charge of negotiations, said that the five or six hotels wanted twice as much as their original agreement had called for.

There was no indication that the officer candidate school already established on Miami Beach would be moved, and its commanding officer, Lt. Col. James S. Stowell, said that if facilities could be secured the expansion program of the training school would be carried out.

"The Japs and the Germans are not waiting for hotel men to make up their minds as to what they are going to do," General Wooten said.

He added that present orders are to discontinue negotiations for a replacement center, which would have brought many thousands of men to the Miami area, and to look elsewhere for its location.

Any move to reopen the negotiations would have to come from the hotel men themselves and then be approved by War Department officials in Washington.

[From the Miami Herald, March 24, 1942]

PLEDGE BY 175 HOTEL OWNERS REVIVES HOPE THAT ARMY WILL BRING THOUSANDS TO BEACH—TRAINING PLAN SPURRED ANEW

FRENZIED ACTIVITY MARKS EFFORTS TO UNDO SET-BACK BY OBDDURATE FIVE OR SIX

(By Stephen Trumbull, Herald staff writer)

High hope that a day of frenzied activity by a united Miami Beach may cause the Army to reconsider its stop order on plans for bringing additional thousands of soldiers here appeared on the horizon Monday night.

Officially the Army still was standing on the statement of Brig. Gen. Ralph H. Wooten that because of the noncooperative attitude of five or six beach hotel men the Air Corps had called off its plan for a second and vastly larger encampment at the resort city—but the general had at hand as the day closed the unanimous pledge of 175 hotel owners to do business with the Army on the Army's terms.

The pledge of the 175 hotel men at a special meeting called by the Miami Beach Hotel Association following first publication in the Herald of the story of the Army's decision to look elsewhere for a site for the Air Corps replacement center, was handed to Lt. R. B. Talley, Air Corps procurement officer, shortly before 6 p. m.

SMILES REPLACE ANGRY LOOKS

General Wooten could not be reached at that time, but the lieutenant spent an hour closeted at the Cromwell Hotel, scene of the hotel men's meeting, with the committee they had named. Bryan Hanks, chairman of the Dade County Defense Council; Mayor Val Cleary, of Miami Beach; E. D. Keefer, member of the Beach Chamber of Commerce and a real-estate appraiser; Beach Councilman Baron de Hirsch Meyer; Al Stone, of the Blackstone Hotel; and John Duff, president of the hotel association.

When the meeting with the lieutenant adjourned smiles had replaced the grim, angry looks of the earlier meeting when the ire of the community had been turned on the "five or six" who had all but wrecked the Army plan.

"It looks a lot more hopeful," one committeeman whispered as he left the hotel.

LAUDS COMMITTEE COOPERATION

"I can't speak in an official capacity," the lieutenant said. "Everyone in the official picture ranks these (tapping his single shoulder bars) by miles. I can say that this committee has shown me a very cooperative spirit and I am taking their message to the general at once."

Hanks had been the principal speaker at the meeting of the hotel men. Following his custom at such sessions, he minced no words as he told his audience what their city stood to lose. He told them the Army's plan was so vast that it contemplated a gigantic replacement camp which would see 1,000 men arriving here each day for a sorting-out process, while another 1,000 would depart each day. The plan contemplated 1,500 officers on duty at the center, men who would bring their wives and families here, and a hospital of 1,000-bed capacity.

He told of the smooth progress of the plan at the offset, as smooth as was the progress in getting hotel facilities for the Air Corps officer candidate school now in full swing on the beach.

HANKS SEES COLLUSION SIGNS

"Then, within the last few days, something happened," Hanks said. "There was evidence of some collusion between some of the hotel men. The Army was told that some of these hotels had hired lawyers to get injunctions against them—injunctions against the Government, if you please, injunctions against us."

"The War Department, of course, was informed of this. Lieutenant Talley was ordered to leave here Saturday, halting all negotiations. Because he knew General Wooten was arriving Sunday he asked for and obtained permission to remain over."

"I do not believe the situation is hopeless. The Government can change its mind, but it is up to you gentlemen to do something—and do it now."

Bruno Weil, of the Belmar Hotel, immediately moved for the formation of a committee "to be sent to Washington, if necessary," to inform the Army that the attitude of the "five or six" was not the attitude of Miami Beach. He offered \$100 toward the expenses of that committee.

THREE HUNDRED HOTEL MEN READY

"I hate to think of what the Nation will think of Miami Beach," he said. "Over 300 Miami Beach hotel men stand ready to cooperate, yet we are to suffer from a half dozen whose hotels are so financially involved that they will sink in another 6 months anyhow."

There was wild applause as he finished. Archie Greenberg, owner of the Bancroft Hotel, rose next to charge that the newspaper accounts were "exaggerated," this despite the fact that Hanks had just confirmed the Herald's story from the speaker's platform, and despite the fact General Wooten also had confirmed all

important details of it at a press conference earlier in the day. The general had added a pithy comment, "The Germans and the Japs won't wait for some hotel men to make up their minds."

J. N. Morris, managing director of the St. Moritz Hotel, submitted a copy of a letter, he had just sent to Senator Claude Pepper in which he wrote that while real-estate representatives of the Army had tried to "drive entirely too hard a bargain for a lease of ocean-front property, he had met their terms and vacated, on short notice Sunday, all guests at the Jefferson Hotel, which he also operates."

GUESTS VACATE FOR ARMY

After the customers had left, he said, he received a telephone call, informing him the Army was not ready to take possession. He said he also had met the Army's terms for a lease on the St. Moritz but was unable to gain further information on either property. There were some sharp exchanges between Weil and a spokesman for Morris.

Shepard Broad, of the Graystone, said his hotel stood ready to abide by any lease figure set by the committee. As Harry Sirkin, of the Albion, was suggesting more detailed appraisals as a determining factor for the Army leases, Paul Pollock, of the Congress and the Breakwater Hotels, drew applause with his shout—"But this is war!"

Ben Gaines, after the meeting, revealed that he had offered Government his \$200,000 equity in the Vanderbilt for \$1 a year, leaving them free to negotiate unhampered with Sam Matz, the landlord.

STATEMENT BY GENERAL WOOTEN

General Wooten issued a typed statement at his press conference preceding the hotel meeting in which he pointed out that the War Department came to this area "after receiving an invitation from the citizens of this area to use the facilities which were supposedly available for this purpose."

The general was asked to submit the names of the "five or six" hotels for publication, to save from further embarrassment the beach hotel men who stood ready and willing to cooperate, but who were suffering in the public eye because of the minority attitude. He considered the suggestion, then decided against it "at least for the present."

After issuing the statement the general went to the city hall and conferred briefly with City Manager Claude Renshaw and Mayor Cleary. These officials immediately pledged him their closest support. A closed meeting of the board of the Miami Beach Chamber of Commerce preceded the hotel meeting.

While the beach was fighting to reopen the Army doors, Miami, St. Petersburg, Hollywood, and other Florida communities were extending strong bids, and strong promises of complete cooperation with officials of the new encampment.

COMMITTEE TO SURVEY MIAMI

Emmett Choate, chairman of the Army projects emergency coordinating board, met in the chamber of commerce offices with representatives of 14 hotels, the Miami Apartment House Association, and city and chamber officials.

A committee was named to survey Miami and wire the Army and Navy offers of any facilities available in Miami. Choate told the gathering it seemed reasonable to believe that the Army and Navy had divided the district—the Army to have free reign on the beach and Miami to be kept open for establishment by the Navy of training activities. He said that Miami's Washington representative, Ernest R. Graham, had been on the job contacting officials.

Mayor C. H. Reeder said the Miami Country Club golf course could be obtained for a drill field at a cost of \$3,000 a year. This figure, he said, would cover taxes and insurance.

He pointed out that the Army requires drill fields to be within 1½ miles from soldier-housing facilities and that "with only a slight stretch" all downtown hotels could come under that rule.

The meeting stressed that any possible offers would be made by Miami without intention of undermining Miami Beach.

Later General Wooten called upon City Manager A. B. Curry. Curry said that the general asked to be shown about the city and inquired particularly about storage space at the docks. They toured the city by auto and the general returned to Miami Beach for further conferences.

DEFENDS HOTEL OWNERS

H. N. Henry, a Miami Beach realtor, issued a statement in defense of hotel owners. His statement said, in part:

"In refutation of the story that Miami Beach hotels are trying to hold up the Government for too high prices for Army use, the fact of the matter is that there are numerous hotels available at the beach at the prices the Army is willing to pay.

"For instance, a 90-room hotel, very comfortable and livable with a central location, is offered for \$15,000 a year. This hotel should comfortably accommodate 180 men.

"I am sure that through the agency of the various members of the realty board that the Army Procurement Division would have no trouble in securing sufficient accommodations.

"While it's true that they like to get accommodations as close to drill grounds as possible, the distance of a few blocks certainly should not make any difference in the life of a soldier.

"I approached a member of the Procurement Division and mentioned two different hotels about 10 days ago—one of these has since been leased—but he remarked at the time that they both were too far away from the area in which the school is located."

EXHIBIT No. 970

NAVY DEPARTMENT,
OFFICE OF THE CHIEF OF NAVAL OPERATIONS,
Washington, February 22, 1944.

Mr. HUGH A. FULTON,
Chief Counsel, Special Committee Investigating
the National Defense Program,
United States Senate, Washington, D. C.

(Attention Rudolph Halley.)

My DEAR MR. HALLEY: In response to your telephone inquiry of even date, the following information is submitted concerning the composition of personnel in the Real Estate Division, Bureau of Yards and Docks, Navy Department:

Location	Total force	Clerical	Techni- cal
Officers in Washington.....	17		17
Officers in Field.....	20		20
Civilians in Washington.....	60	39	21
Civilians in Field.....	18	8	10
Enlisted personnel in Washington (all are WAVES except 1).....	24	24	
Total.....	139	71	68

Cordially yours,

JOHN A. KENNEDY,
Captain, United States Naval Reserve.

EXHIBIT No. 971

MANUAL OF INSTRUCTIONS CONCERNING LEASES OF REAL ESTATE
FOR THE USE OF THE NAVY DEPARTMENT WITH INFORMATION
CONCERNING THE USE OF REVOCABLE PERMITS

INTRODUCTION

The demands of war have made it necessary to greatly enlarge the Navy's use of real estate. In many instances that use is taken under lease rather than by

fee simple title. On February 20, 1943, there were in force 1,307 leases involving an annual consideration in excess of \$6,000,000. These leases covered every class of property in every State save one and in all the territories and possessions and many foreign countries.

Because of the greatly increased scope of the Navy's activities in the field of leasing, and with a view to disseminating in convenient and useful form information concerning leasing, the Real Estate Division of the Bureau of Yards and Docks has prepared this Manual on the subject.

For convenient reference, the "Instructions Concerning Revocable Permits" contained in the Bureau's circular letter of December 14, 1942 (361-42), are incorporated as a part of this manual.

It is hoped that the presentation of this material will afford a source from which a variety of questions frequently arising in the field can be answered.

The Real Estate Division of the Bureau will gladly supply information in any particular case or answer any special problem not covered herein.

JOHN J. COURTNEY,

Head, Real Estate Division, Bureau of Yards and Docks.

March 1, 1943.

Approved:

B. MOREELL,

Chief of the Bureau of Yards and Docks.

REAL ESTATE FUNCTIONS OF NAVY DEPARTMENT IN CHARGE OF BUREAU OF YARDS AND DOCKS

All functions pertaining to the acquisition and disposition of Navy Department real estate are under cognizance of the Bureau of Yards and Docks. These functions, formerly exercised by the Judge Advocate General of the Navy pursuant to article 426, Navy Regulations (see exhibit "A" of appendix), were transferred to the Bureau of Yards and Docks by Executive Order No. 9194, dated July 7, 1942, copy of which is included as exhibit B of appendix.

REAL ESTATE DIVISION OF BUREAU

All matters pertaining to leases, as well as all other real estate functions of the Bureau of Yards and Docks, are administered by the Real Estate Division of that Bureau, which is divided into sections as follows:

1. Administrative.
2. Planning.
3. Legal.
4. Leasing.
5. Appraisal.
6. Special legal matters.

PART I—LEASES

1. *Ascertain Whether Government-Controlled Space Is Available.*—Before recommending the leasing of private property for naval uses it should be ascertained if suitable property already owned by the Government or under its control is available for the desired purpose. If government-controlled property is available and its use is recommended, full particulars should be submitted to the Bureau of Yards and Docks in order that steps may be taken to obtain its use from the department or agency concerned.

2. *Request for Lease—How Submitted.*—When any private property is selected for lease by the Navy Department the REQUEST FOR LEASE should be forwarded to the bureau directly concerned. If approved by the cognizant bureau it will be transmitted to the Chief of the Bureau of Yards and Docks via the Chief of Naval Operations for action. Approval by the Chief of Naval Operations as to military features of the site selected is required before the lease may be submitted for final approval of the Secretary of the Navy. See General Order No. 138 (Exhibit C of Appendix) as modified by Executive Order No. 9194, dated July 7, 1942.

3. *Advertising for Bids.*—Section 3709, Revised Statutes (U. S. C., Title 41, Section 5) requires that "All purchases and contracts for supplies or services, in any of the Departments of the Government, except for personal services, shall be

made by advertising a sufficient time previously for proposals respecting the same, when the public exigencies do not require the immediate delivery of the articles, or performance of the service."

This requirement applies to leases. "The interests of the United States require that there be competition as required by law, that is, that there be such publicity that will offer competent bidders notice and opportunity to bid." (14 C. G. 365, 366.)

No particular method of advertising is required. Notice of intent to lease may be given by newspaper, circular letters posted in public places, or by personal canvass among potential lessors. However, the notice must be prepared in a manner to attract bids from all competition available under the circumstances.

4. *When Advertising May Be Dispensed With.*—Executive Order No. 9001 (Exhibit D of Appendix), dated December 27, 1941, issued pursuant to the First War Powers Act of December 18, 1941 (55 Stat. 838), *empowers the Secretary of the Navy to dispense with advertising in the letting of all contracts during the present emergency.* However, except in extraordinary cases where the needs of the war effort will not permit of any delay, an informal canvass of bidders should be made in order to procure suitable premises on terms most advantageous to the Government.

5. *Lowest Bid To Be Accepted—Exceptions.*—The lowest bid should always be accepted if the premises meet the needs of the Government. If any bid other than the lowest bid is recommended a full explanation should be given therefor. It is not sufficient to state in general terms that the premises selected are more desirable than those covered by the lowest bid. Satisfactory and adequate reasons are required by the General Accounting Office.

6. *Rental Consideration—Limitation of.*—Section 322 of the Economy Act of June 30, 1932, as amended by the Act of March 3, 1933 (U. S. C., Title 40, Section 278a), limits the annual rental consideration to be paid for "any building or part of a building" to 15 percent of the fair market value of the premises rented in all cases where the consideration exceeds \$2,000 per annum. While a rental not in excess of 15 percent of the fair market value of the property is permitted by that act, the practice of paying the maximum of 15 percent without regard to local rental scales is to be condemned. Every effort should be made to rent the property for the Government on as favorable terms as comparable property is rented to private interests.

The Act of Congress approved April 28, 1942 (Public Law 530, 77th Congress) (Exhibit E of Appendix), provides that the limitations of Section 322 of the Economy Act as amended "shall not apply during war or a national emergency declared by Congress or by the President to such leases or renewals of existing leases of privately or publicly owned property as are certified by the Secretary of War or the Secretary of the Navy, or by such person or persons as he may designate, as covering premises for military, naval, or civilian purposes necessary for the prosecution of the war or vital in the national emergency." However, the provisions of this statute are not to be invoked except in the most meritorious cases and only upon adequate showing of the necessity therefor.

7. *Commitments as to Amount of Rental To Be Paid.*—*Under no circumstances, regardless of the amount involved, should any commitment or purported agreement be made as to the amount of rental to be paid. The Chief of the Bureau of Yards and Docks, acting for the Secretary of the Navy, is the only person authorized to commit the Government in such matters.*

8. *When Appraisals Required.*—Where satisfactory information as to value is not already in possession of the Bureau of Yards and Docks, an appraisal of the fair market lease value will be made of all property to be leased for naval uses, except in those cases where the consideration involved is so small that the expense and time of a complete appraisal is not justified. The necessity for appraisal will be determined in each case by the Bureau. Appraisal instructions will be furnished by the Bureau directly to the appraisers selected.

9. *Statement of Fair Market Value Required.*—In all cases where the rental consideration is more than \$2,000, except leases that are certified to by the Secretary of the Navy "as covering premises for military, naval, or civilian purposes necessary for the prosecution of the war or vital in the national emergency," (see paragraph 6 of this Manual) the General Accounting Office requires that evidence be submitted with the lease showing that the rental consideration is not more than 15 percent of the fair market value of the property. In such cases

the request for the lease should be accompanied by a statement in triplicate certified to by the requesting officer containing the following information:

- (1) Assessed value of entire building----- \$-----
- (2) Ratio of assessed to the fair market value of premises (this information is obtainable from local assessor)-----
- (3) Total square feet of rentable area in building-----
- (4) Number of square feet leased to Government-----
- (5) Assessed value of each square foot----- \$-----
- (6) Assessed value of space leased to the United States----- \$-----
- (7) Fifteen percent (15%) of estimated market value----- \$-----
- (8) Reasonable value of heat, light, janitor, or other services furnished the United States and included in the rental rate, which when deducted gives the net rent----- \$-----
- (9) Per annum rental of the property----- \$-----
- (10) If any appraisal of the fair market value has been made, it should be attached. Frequently such appraisals can be obtained from local real-estate boards without expense to the Government.

10. *Leases Covering Farm Land.*—Where farm lands are to be leased for naval uses (such as airfields), the following information should be obtained and submitted:

- (1) The estimated areas of cultivated land, pasture, woodland, or other classes of lands.
- (2) The respective approximate value per acre of each type of land with aggregate approximate value.
- (3) The range of rents for each such class of lands in the general vicinity.
- (4) Sale price (per acre) of similar lands in the general vicinity within the past five years.
- (5) Amount of real-estate taxes levied on property in the past year.
- (6) Such other information as will assist in determining fair rental value of the premises.

11. *Property of States, Municipalities, etc.*—Property of states and their political subdivisions generally has been leased for naval uses at nominal rentals. Efforts should be made to lease property of such public agencies at nominal rentals, particularly if it is not being used, and federal funds were used for its development.

12. *Hire of Quarters for Officers and Men.*—The procedure to be followed in renting quarters for officers and men is set forth in detail in copy of first endorsement of August 20, 1942, from the Chief of the Bureau of Naval Personnel to the Chief of the Bureau of Yards and Docks, which appears in full as Exhibit F of Appendix.

13. *How Leases are Prepared.*—Except when otherwise expressly authorized by the Chief of the Bureau of Yards and Docks, all leases should be prepared in the Bureau of Yards and Docks. Where express authority is given to prepare the lease in the field, care should be taken to see that it conforms in all substantial respects to United States Standard Form No. 2 (Exhibit G of Appendix). The instructions printed on the back of the standard form should be read carefully and observed.

Additional provisions may be inserted in the lease where they do not conflict with the requirements of the standard form and are consistent with law. Information is hereinafter furnished for guidance with respect to some of the most common additional provisions written into leases.

14. *Leases to be Executed in Triplicate.*—All leases should be executed in triplicate. One executed original will be delivered to the lessor, one will be forwarded to the General Accounting Office and one retained by the Bureau of Yards and Docks. Copies will be prepared and forwarded for the files of the officer in charge of the property.

15. *Information to be Furnished with Request for Lease.*—Care should be taken that all essential information be furnished with each REQUEST FOR LEASE. Such information should include:

(a) Name and address of lessor. If the lease is to be executed on behalf of the lessor by an agent, written evidence of agent's authority to execute the lease should be submitted.

(b) Where the lease is to be executed by a trustee, executor, or some other person acting in a fiduciary capacity, satisfactory legal evidence of authority to execute in such capacity must accompany the lease.

(c) The premises to be leased should be accurately described, giving location by street and number or otherwise; and in case of rooms, the floor and room number of each room should be given, with a statement, when available, of the approximate acreage of square footage of space to be leased.

(d) The purpose for which the premises are to be used need not be set forth in detail. It will be sufficient, and is, in fact, preferable to state the use in general terms, as for instance, office quarters, storage purposes, recreational facilities, etc.

(e) A citation of the appropriation to be used, or in case the appropriation cannot be ascertained, a request that funds be made available.

16. *Period of Lease Limited to Fiscal Year.*—The original period of the lease should not extend beyond the current fiscal year except where funds have been appropriated for a longer period.

17. *Effective Date of Lease.*—The effective date of a lease should be the date the Navy Department enters into possession of the property. In no case should the date of execution appear to be subsequent to the beginning of the lease period.

18. *Right of Renewal.*—Notwithstanding the original period of the lease should be for the current fiscal year, it is usually desirable to obtain the right of renewal for an additional period. The length of the renewal period should be determined in the light of the Navy Department's prospective need of the property and the character of improvements to be erected. Where structures of a permanent character are to be erected, the lease should reserve the right of renewal for a period sufficient to amortize the cost of such structures. In all cases where the use of the property is directly related to the war effort, the privilege of renewal should extend through the "duration of the wars in which the United States is engaged and for a period of six months thereafter". (See paragraph No. 37 for additional information concerning renewals.)

19. *Services to be Supplied under Lease.*—If heat, light, water, or other services are desired, they should be furnished by the lessor when not otherwise obtainable at a lower cost, and the rental stated in the lease should include the cost of the services to be furnished. Care should be exercised in stating fully and definitely the character and extent of all services to be furnished.

20. *Alterations and Improvements.*—Section 322 of the Economy Act (U. S. C. Title 40, Section 278 a) limits to 25 percent of the first year's rental, the amount that may be expended by the Government for alterations or repairs to fit the leased premises for the proposed use. This limitation is suspended by the Act of Congress of April 28, 1942 (Exhibit E of Appendix) but it should not be disregarded except where prior approval of the Bureau of Yards and Docks has been obtained.

21. *Avoid any Commitment of Title to Government Property.*—Especial care should be taken to avoid any commitment in leases undertaking to pass title to any improvements placed upon the leased premises by the Government.

No officer or agent of the Government is authorized to convey title to Government property without express authority of Congress.

22. *Disposition of Improvements for Salvage Value only.*—In case the cost of the removal of improvements placed by the Government upon leased premises equals or exceeds the value of such improvements, they may be disposed of by agreement supplemental to the lease. However, this cannot be done until the termination of the lease (39 Atty. Gen., 338).

23. *Advance Rental Payments.*—While advance rental payments are permitted by the First War Powers Act, no commitment to pay rental in advance should be made without express authority first obtained from the Chief of the Bureau of Yards and Docks.

24. *Procedure where Agreement cannot be Reached with Owner.*—It is sometimes desirable to obtain the owner's permission for the Navy Department to enter upon and use his property pending an agreement as to the rental consideration. If such permission is granted, it should be made clear to the owner that the Government's use of the property is subject to the rights and privileges expressed in the standard form of Government lease (Exhibit G of Appendix), or such other terms as may be agreed upon in writing before the Government's entry upon the property.

If an agreement cannot be reached with the owner as to the rental consideration and he will not permit the Government to enter upon the property pending

further negotiations, recommendations should be made that immediate use and occupancy of the property be acquired pursuant to Title II of the Second War Powers Act (Exhibit H of Appendix).

25. *Sublease of Premises to Government.*—Where the premises are to be subleased to the Government, it should be ascertained if the lessor has the right to sublease. Where this does not clearly appear, the owner should be required to assent to the sublease in writing.

26. *Inspection to be Made of Property.*—Whenever possession of any premises is taken for temporary uses of the Navy Department, either by negotiated lease, or under authority of the Second War Powers Act, or otherwise, a careful inspection should be made and a written record prepared showing the condition thereof, together with an inventory of improvements and other property thereon. Such record may prove useful in defense of an improper claim against the Government arising from its use of the property. The inspection should be made jointly with the owner or his authorized representative, and a report thereof should be signed by both the lessor and the representative taking possession of the property on behalf of the Government. Where the character of the leased property is such that photographs would assist in illustrating its condition, such photographs should be procured, if feasible.

27. *Buildings and Growing Crops.*—If buildings or other structures or growing crops are located upon the land, a determination should be made as to whether they will interfere with the Government's use of the leased premises. If destruction of crops or improvements is necessary, careful appraisal should be made of the value thereof and consideration will be given to its inclusion in the rental consideration. In cases where it is necessary to change or damage the property as an incident to the Government's use, that part of paragraph 8 of Standard Lease Form No. 2, providing for restoration by the Government, should be deleted and a provision added relieving that Government of liability for restoration. In such case the rental consideration should include the amount of damage.

28. *When Lease Should Include Option to Purchase.*—Where it may appear to be in the best interests of the United States that it acquire title to the leased property at some future time, it is desirable that the lease contain an option authorizing the purchase of the property. The option should provide, in the alternative, that the United States may purchase the leased property at any time during the term of the lease or any renewal thereof for a specific sum stated in the lease (not exceeding the estimated fair market value of the property at the time the lease is entered into), or a sum representing the appraised fair market value of the property at the time of the acceptance of the option. The following provision is suggested: "The Lessor agrees, in consideration of the covenants on the part of the Lessee herein contained, that the Lessee may purchase the property herein leased at any time during the term of this lease or any renewal thereof for the sum of _____ Dollars, or for a sum representing the appraised fair market value of the property at the time of the acceptance of this option."

29. *Removal Costs.*—In all cases care should be used to rent property where there will be no additional cost to the Government over and above the basic rental and the cost of utility services to be furnished. Removal costs of owner or tenants should not be allowed except upon express authority of the Chief of the Bureau of Yards and Docks.

30. *Where Substantial Improvement of Leased Property is Required.*—Where, under the lease, the lessor is obligated to extend utilities, relocate or remove obstructions, or otherwise to substantially alter or improve the premises, an appropriate provision should be written into the lease to the effect that rental payments thereunder shall be contingent upon lessor performing such obligation, or a bond should be exacted to insure its performance.

31. *Outstanding Mineral Rights.*—If land is subject to mineral or other rights, such rights will be brought to the attention of the Bureau directly concerned which will determine in advance of the consummation of the lease, whether such rights will interfere with the contemplated use of the premises.

32. *Piers, Docks and Wharf Facilities.*—Leases of piers, docks and wharf facilities for ocean shipping, including storage facilities, either closed or open, located thereon and adjacent thereto, will not be consummated until clearance by the Army and Navy Munitions Board is obtained through the Chief of the Bureau of Supplies and Accounts.

33. *Change of Ownership during Government's Occupancy.*—When title to premises occupied by the Government under lease is transferred, a properly

authenticated copy of the deed of transfer should be obtained and submitted promptly to the Chief of the Bureau of Yards and Docks to be forwarded to the General Accounting Office for record purposes.

34. *Modification of Leases.*—If during the period of the lease it should appear desirable that its terms be modified in any manner, the proposed changes and reasons therefor should be reported to the Bureau of Yards and Docks, in order that a formal modification or supplemental lease may be prepared.

35. *Cancellation of Lease.*—If the period during which the Government will use the leased premises is speculative or circumstances are such that it may be in the interest of the Government to cancel the lease prior to its stated term, the lease should expressly reserve to the Government the right to cancel on thirty (30) days' notice or such other period of notice as may be agreed upon with the lessor.

36. *Vacation of Leased Premises.*—If the leased premises are vacated or surrendered with the consent of the Lessor prior to the termination of the lease, a formal release setting forth the terms and conditions thereof should be obtained from the lessor and forwarded promptly to the Bureau of Yards and Docks.

37. *Renewal of Leases, Record of.*—Leases providing for the right of renewal require that notice of the Government's intent to renew be given the lessor within a specified time. Usually the time prescribed is 30 days, but in some cases a longer period is designated. It is important that all recommendations for renewal of leases be submitted far enough in advance to enable the clearance of the recommendation through the interested bureaus, and the preparation of the notice to be mailed within the required period. Accurate records of current leases, including the notice required for renewal, should be kept by all responsible officers with the view to facilitating such renewals.

PART II—REVOCABLE PERMITS

The following information is furnished for guidance in the negotiation of revocable permits covering (a) the nongovernmental use of property under the control of the Navy Department, and (b) the use of privately owned property for the purposes of the Navy Department.

38. *Express Authority Required to Lease.*—No officer of the Government is empowered to dispose of Government property without express authority of Congress.

Leasing is, in law, a "disposition" of property because it diminishes the interest, control, and right of the owner (*Hill v. Sumner*, 132 U. S. 118). General statutory authority exists for the leasing of naval land that "may not for the time being be required for public use" (39 Stat. 559, 560; U. S. C. A., Title 34, Section 522). However, the Attorney General has held that this statute can "hardly be said to confer direct authority to permit the temporary use of the property by others" (30 Op. Atty. Gen. 470, 481).

39. *Revocable Permits Approved.*—The customary method of permitting temporary nongovernmental use of property devoted to some active naval use is by revocable permit. There is no express statutory authority for granting such permits. It is an implied power incident to the responsibility of management and control, which may be exercised when in the judgment of the Secretary of the Navy the permission to be granted is considered in the interest of the Government. In 35 Op. Atty. Gen., 485, 487, the Attorney General held that the long-continued exercise of the power of the Secretary of War to grant revocable permits for the use of military reservations, and the open use of such power by the permittees without legislative objection by Congress implies the tacit assent of Congress to such practice.

40. *Revocable Permits Classified.*—Situations often arise where it is considered in the Government's interest to grant the temporary use of naval property by revocable permit.

Many such permits are granted to states, counties, municipalities, and other political units for the maintenance of streets, roads, sewer lines, water mains, and other facilities of a strictly public nature.

Permits are also issued to public-service corporations for the installation of telephone, telegraph, and power lines, gas mains, streetcar, and railroad tracks, etc.

Another group of permits includes those for the establishment of churches, schools, and other facilities contributing to the moral or social welfare of the personnel within the naval area concerned.

Permits of the character referred to usually are of direct or primary interest to the naval activity affected or to the immediate locality, and, because of the public interest involved, are issued without charge to the permittee.

A fourth class of permits includes those issued to private enterprise for providing services of various kinds for the personal convenience of naval personnel or other private patrons within the naval area concerned. Of this class may be mentioned taxi and bus lines. In such cases a license fee is usually charged according to commercial standards.

41. *When Substantial Fee should be Required.*—In every case, the question of whether or not a substantial fee should be charged for the privilege granted will depend upon the amount of profit or other benefits to be derived by the permittee, measured in the light of any offsetting benefits and advantages to the Government.

Permits should not be issued without charge, except where there is a primary benefit to the Government. What is a benefit to the Government is a question to be determined by the responsible officer in the exercise of his official judgment "rather than a question of law to be determined in advance by the law officers of the Government" (30 Op. Atty Gen. 470, 481).

42. *Matter of Departmental Policy.*—The propriety of issuing revocable permits is to be determined by the Department having custody of the property. In 35 Op. Atty. Gen. 485, 490, the Attorney General said "It is a matter of departmental policy whether a situation should be created by the issue of a permit which may afterwards embarrass the head of the Department in the exercise of the power of revocation."

43. *To be Prepared in the Bureau of Yard and Docks.*—Permits granting the use of naval property should not be prepared in the field, but all necessary data should be submitted by letter for the preparation thereof by the Real Estate Division of the Bureau of Yards and Docks. Recommendations for such permits should be made to the bureau directly concerned and, if approved by that bureau, will be forwarded to the Bureau of Yards and Docks via the Chief of Naval Operations. The following information should be furnished with all requests for permits authorizing the use of naval property:

(1) The purpose for which the property is to be used should be fully stated, together with the reason why the granting of such permit is considered to be of benefit to the Government.

(2) If a particular area is to be utilized, a correct description of such area should be given, accompanied by four (4) appropriate drawings suitable for attaching as a part of the permit.

(3) Where rights are to be granted for roads, streets, sewers, pipe lines, telephone and telegraph lines, etc., the line of the right-of-way and the width thereof should be definitely indicated on drawing furnished.

(4) Care should be exercised to correctly state the name and address of the permittee.

44. *Requirements of Revocable Permits.*—All permits granting the use of naval property shall comply with the following requirements:

(1) Shall be revocable at the will of the Secretary of the Navy.

(2) Shall not be assigned, except by operation of law or with the express consent of the Government.

(3) Shall contain an express provision that the permittee does not thereunder acquire any estate or permanent interest in the property of the Government.

(4) Shall involve no expense on the part of the Government.

(5) Shall contain an indemnity clause holding the Government harmless against any and all claims which may arise as a result of the permittee's use or occupancy of the property.

(6) Shall contain a provision obligating the permittee, upon request of the Government, to remove all structures and improvements placed on the property by the permittee and to restore the property at the termination of the permit to its condition at the time the permit was issued or in default thereof, reserving to the Government the right to do so at the expense of the permittee.

(7) Shall reserve to the Government the right to use the property at any time for purposes not inconsistent with the privilege granted the permittee.

(8) Shall obligate the permittee to maintain the premises and all improvements placed thereon in a manner at all times satisfactory to the Government or its representatives in charge.

USE OF PRIVATE PROPERTY FOR NAVAL PURPOSES

The foregoing requirements concern revocable permits covering nongovernmental use of Government property under the control of the Navy Department. Consideration will now be given to the use of privately owned property for naval purposes.

45. *Government's Use of Private Property.*—It is often beneficial to the Navy Department to acquire the temporary use of private property by means of a revocable permit. Among the most common of such uses are the maintenance of sewer and water mains and other utilities serving naval stations, the operation of spur tracts and other railroad facilities, the maintenance of temporary access roads and various other purposes in aid of some particular naval activity.

Such permits are usually prepared by the permittor and in many instances, as in the case of railroad companies, state highway boards and municipal governments, a standard printed form of permit is used. Often such permits are unsatisfactory to the Navy Department because they contain covenants beyond the authority of the Secretary of the Navy. In a great many cases, it has been necessary to redraft permits in the Navy Department to make them conform to the Secretary's authority. This means delay in final execution and a resultant delay in the Government exercising the privileges desired. It is therefore very important that all officers negotiating such permits on behalf of the Navy Department be informed as to certain fundamental requirements with reference thereto.

46. *Fundamental Requirements.*—Before any such permit is forwarded to the Navy Department with recommendation for its execution, it should be examined carefully to see that it conforms with the following requirements. If not, the negotiating officer should return it to the permittor, calling attention to its defects, and requesting that it be redrafted or amended.

(1) The permit should contain nothing that can be interpreted as an intention to pass title to any Government property placed upon the permittor's premises pursuant to the permit. The permit should expressly reserve to the Government title to improvements of any character placed on the premises by the Government, with the right to remove the same within a reasonable time after the termination of the permit.

(2) Care should be taken to see that the permit contains no obligation on the part of the Government to pay any money to the permittor or any one else for any purpose that has not been appropriated for by Congress. No officer of the Government can obligate the Government to any payment beyond the extent of funds currently available. In cases where it may appear desirable and appropriate to make such payment, language should be used to indicate clearly that it is to be paid from any funds that may be appropriated by Congress for such purpose.

(3) Particular care should be exercised to avoid any unconditional undertaking to indemnify the permittor against any loss or damage resulting from the Government's use of the property. The extent of the Secretary's authority in such cases is to recommend to Congress that the permittor be indemnified if the circumstances justify. The following form is used in such cases:

"In the event that death or injury occurs to any person or loss, destruction, or damage occurs to any property of the permittor in connection with the construction, maintenance, operation or repair of the facility covered by this permit, occasioned in whole or in part by the acts or omissions of the permittee, its officers, agents, or employees, the permittee agrees to submit to the Congress of the United States a statement of the facts in regard thereto, and to make such recommendations with respect to indemnifying and saving harmless the permittor in whole or in part, as the circumstances warrant."

(4) The law requires that a provision substantially in the following form be incorporated in every Government contract (Revised Statutes 3741: U. S. C. A., Title 41, Sec. 22). It should be included in all permits to be executed on behalf of the Secretary of the Navy. Permits not containing this or a like provision will not be acceptable to the Navy Department.

"No member of or Delegate to Congress or Resident Commissioner shall be admitted to any share or part of this permit or to any benefit to arise therefrom. Nothing, however, herein contained shall be construed to extend to any incorporated company, if the permit be for the general benefit of such corporation or company."

(5) Usually such permits include a covenant on the part of the Government to restore the premises to their former condition upon the termination of the permit. If such covenant is included in the permit, it should be qualified by relieving the Government of any liability to restore damages caused by circumstances over which the Government has no control.

(6) In case the permit is made revocable at the will of the permittor, effort should be made to have the permittor include a proviso in substance as follows:

"Provided, however, the permittor shall not exercise its rights of revocation before the expiration of the present wars in which the United States is now engaged."

(7) It is preferred that permits be not executed by the permittor before they are submitted for consideration of the Navy Department. It is often necessary to revise such permits to meet the requirements of the Navy Department, necessitating re-execution by the permittor. This causes confusion and delay.

47. *Exceptional Cases.*—The foregoing requirements will be applicable to practically all revocable permits for execution on behalf of the Secretary of the Navy and requiring action by the Real Estate Division of the Bureau of Yards and Docks. In case the officer proposing the execution of a permit should recommend that it will be in the interest of the Navy Department to waive or relax the requirements of any particular provision, he will make a full report of the facts with the reasons for his recommendation.

APPENDIX

EXHIBIT A. U. S. NAVY REGULATIONS—ARTICLE 426

NOTE.—Prior to July 20, 1942, the office of the Judge Advocate General performed the functions of the Navy Department with respect to acquisition of real estate. These functions, set out in Article 426, Navy Regulations, were transferred to the Chief of the Bureau of Yards and Docks by Executive Order No. 9194 of July 7, 1942, effective July 20, 1942.

Article 426 has not been revised and reprinted since this transfer. Therefore, in reading the following, "the Chief of the Bureau of Yards and Docks" must be mentally inserted where reference is made to the "Office of the Judge Advocate General" or the "Judge Advocate General."

SECTION 10—ACQUISITION OF REAL ESTATE

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(1) Whenever the acquisition of real estate, whether by purchase, gift, lease (exclusive of leases by the year of offices incident to recruiting and inspection and all renewals of existing leases executed under the same terms and conditions as provided in said existing leases), or in any other manner, becomes necessary for naval purposes, a tentative selection of the site shall be made by the bureau, branch, or office of the Navy Department immediately concerned, in consultation with the Bureau of Yards and Docks, as to the condition of the property, and the cost and practicability of future construction and later maintenance of public works and public utilities. Whenever practicable, two or more sites shall be so selected. The recommendation of the Chief of Naval Operations as to the military features of the site in connection with general naval policy is to be sought before the finished proposal for the acquirement is laid before the Secretary of the Navy.

(2) After the Secretary of the Navy has ascertained the necessity for the purchase or lease and has approved one or more of the tentatively selected sites, as set forth in (1) above, then, in order to ascertain the amount to be included in the estimates to be submitted to Congress, preliminary negotiations with the owners, respecting price and legal matters, shall be conducted by the office of the Judge Advocate General direct, or by the public works officer under the appropriate commandant or commanding officer in accordance with instructions to be forwarded by the Office of the Judge Advocate General. The final selection shall be made by the same agencies making the tentative selection, as approved by the Secretary of the Navy.

(3) All appropriations made for purchase of real estate shall be estimated for under public works, Bureau of Yards and Docks.

(4) In view of the legal restrictions relative to leases, no person in the naval establishment shall negotiate for the lease of real estate for a longer period than the fiscal year, and if a lease for a longer term than the fiscal year is necessary for the purpose of the Navy Department, this item shall be estimated for under Public Works, Bureau of Yards and Docks, said lease to be consummated by the Judge Advocate General, as provided in paragraph (2).

(5) After the requisite appropriation has been made or authority granted by Congress, the Judge Advocate General shall consummate the transaction in accordance with the provisions of Art. 469 (6).

(6) The Bureau of Yards and Docks shall maintain a list of all real estate owned, leased, or occupied for naval purposes, together with a description of the fixed improvements thereon, and shall make all land surveys thereof.

(7) Unless specifically directed so to do by the Secretary of the Navy (Judge Advocate General) in any individual case, no person in the Naval Establishment shall at any time during the negotiations assent to any statement made by any owners or others relative to the value of the property under consideration, nor make any statement tending to commit the United States to the acceptance of prices, terms, or conditions, but the ascertainment of value and the amount of the estimate to be submitted to Congress shall be under the direction of the Judge Advocate General, as set forth in (2) above.

(8) All leases, or renewals thereof, under which property is to be occupied by the Marine Corps will be handled in a similar manner by the Quartermaster, United States Marine Corps. Copies of all such leases, or renewals thereof, will be furnished the Judge Advocate General for filing among the muniments of title as required by Article 469 (6), United States Navy Regulations, 1920.

EXHIBIT B. EXECUTIVE ORDER

TRANSFERRING DUTIES AND FUNCTIONS WITH RESPECT TO ACQUISITION AND DISPOSITION OF REAL ESTATE FROM THE OFFICE OF THE JUDGE ADVOCATE GENERAL OF THE NAVY TO THE CHIEF OF THE BUREAU OF YARDS AND DOCKS

By virtue of the authority vested in me by Title I of the First War Powers Act, 1941, approved December 18, 1941 (Public Law 354, 77th Congress), I do hereby direct and order, as follows:

1. The duties and functions exercised by the Office of the Judge Advocate General of the Navy with respect to the acquisition and disposition for the Navy Department of real estate, including all interests therein and temporary uses thereof, and of all property acquired under the provisions of Title II of the Second War Powers Act, 1942, approved March 27, 1942 (Public Law 507, 77th Congress), or any amendments thereof, are hereby transferred to the cognizance and jurisdiction of the Chief of the Bureau of Yards and Docks under the direction of the Secretary of the Navy, together with such appropriate funds as are necessary to carry out the purposes and intent of this order.

2. The Secretary of the Navy shall take all steps necessary and desirable to carry out this order.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, July 7, 1942.

EXHIBIT C

GENERAL ORDER No. 138

NAVY DEPARTMENT,
Washington, D. C., November 26, 1940.

EXECUTION OF LEASES, LICENSES, AND PERMITS ON NONGOVERNMENT PROPERTY FOR THE NAVAL SERVICE

1. General Order No. 65 is canceled and superseded by this order.

2. When non-Government property is to be occupied by an activity of the naval service, other than the Marine Corps, under a lease, license, or permit, or a renewal thereof, all data and information disclosing the need for the proposed occupancy and a description of the premises will be forwarded to the administrative bureau or office concerned to obtain approval.

3. The administrative bureau or office concerned, other than the Marine Corps, will forward such requests for the execution of leases, licenses, or permits, or

renewals therefor, to the Secretary of the Navy (Judge Advocate General)¹ via the Chief of Naval Operations, together with an adequate description of the premises, all original bids, and evidence as to the fair market value of the premises when rental consideration exceeds \$2,000.00 per annum. If clearance is required through the Federal Works Agency, five copies of PSC Form No. 6 will accompany these papers. After clearance has been obtained, where necessary, all papers will be forwarded by the Chief of Naval Operations to the Secretary of the Navy (Judge Advocate General)² for execution; one copy of clearance will be returned to the originating bureau. The recommendation of the Chief of Naval Operations as to the military features of a site in connection with general naval policy is to be sought before the proposal of the acquirement is laid before the Secretary of the Navy.

4. All leases, licenses, or permits, or renewals thereof (other than Marine Corps leases) will be prepared by or under the direction of the Judge Advocate General¹ for execution on behalf of the Lessor and the United States of America. When they are duly executed the Judge Advocate General¹ will distribute the originals and copies thereof to the parties concerned. All leases shall be prepared on Standard Form of Government Lease No. 2 and renewals thereof on Notice of Renewal Form No. 1.

5. All leases, licenses, or permits, or renewals thereof, under which property is to be occupied by the Marine Corps, will be forwarded for approval to the Secretary of the Navy via the Chief of Naval Operations, together with an adequate description of the premises, all original bids, and evidence as to the fair market value of the premises when rental consideration exceeds \$2,000.00 per annum. If clearance is required through the Federal Works Agency, five copies of PSC Form No. 6 will accompany these papers. After clearance has been obtained, where necessary, all papers will be returned to the Major General Commandant, U. S. Marine Corps. Copies of all such leases, or renewals thereof, will be furnished the Judge Advocate General¹ for filing among the muniments of title as required by article 469 (6), United States Navy Regulations, 1920.

6. In the case of any lease, or any renewal thereof, of any property to be occupied by the Marine Corps which might affect other Naval interests in the Naval District where such property is located, the matter shall be referred first to the local Commandant by the Marine Corps, giving full particulars of the area to be leased, the expected duration of the lease and complete details as to the use to which the leased property will be put. In all cases not so referred, the Commandant shall be duly informed of the fact that the leases have been negotiated and of the aforementioned particulars.

FRANK KNOX,
Secretary of the Navy.

EXHIBIT D, EXECUTIVE ORDER

AUTHORIZING THE WAR DEPARTMENT, THE NAVY DEPARTMENT, AND THE UNITED STATES MARITIME COMMISSION TO PERFORM THE FUNCTIONS AND EXERCISE THE POWERS DESCRIBED IN TITLE II OF AN ACT APPROVED DECEMBER 18, 1941, ENTITLED "AN ACT TO EXPEDITE THE PROSECUTION OF THE WAR EFFORT," AND PRESCRIBING REGULATIONS FOR THE EXERCISE OF SUCH FUNCTIONS AND POWERS

The successful prosecution of the war requires an all-out industrial mobilization of the United States in order that the materials necessary to win the war may be produced in the shortest possible time. To accomplish this objective it is necessary that the Departments of War and the Navy and the United States Maritime Commission cooperate to the fullest degree with the Office of Production Management in the endeavor to make available for the production of war material all the industrial resources of the Country. It is expected that in the exercise of the powers hereinafter granted, these Agencies and the Office of Production Management will work together to bring about the conversion of manufacturing industries to war production, including the surveying of the war potential of industries, by plant by plant; the spreading of war orders; the conversion of facilities; the assurance of efficient and speedy production; the development and use of subcontracting to the fullest extent and the conversion of strategic materials.

¹ Executive Order No. 9194 (Exhibit B of this manual) transfers the functions of the Judge Advocate General with reference to real estate matters of the Navy Department to the Chief of the Bureau of Yards and Docks.

Title I

1. By virtue of the authority in me vested by the Act of Congress, entitled "An Act to expedite the prosecution of the War effort," approved December 18, 1941 (hereinafter called "the Act") and as President of the United States and Commander in Chief of the Army and Navy of the United States, and deeming that such action will facilitate the prosecution of the war, I do hereby order that the War Department, the Navy Department, and the United States Maritime Commission be and they hereby respectively are authorized within the limits of the amounts appropriated therefor to enter into contracts and into amendments or modifications of contracts heretofore or hereafter made, and to make advance, progress, and other payments thereon, without regard to the provisions of law relating to the making, performance, amendment, or modification of contracts. The authority herein conferred may be exercised by the Secretary of War, the Secretary of the Navy, or the United States Maritime Commission respectively or in their discretion and by their direction respectively may also be exercised through any other officer or officers or civilian officials of the War or the Navy Departments or the United States Maritime Commission. The Secretary of War, the Secretary of the Navy, or the United States Maritime Commission may confer upon any officer or officers of their respective departments, or civilian officials thereof, the power to make further delegations of such powers within the War and the Navy Departments; and the United States Maritime Commission.

2. The contracts hereby authorized to be made include agreements of all kinds (whether in the form of letters of intent, purchase orders, or otherwise) for all types and kinds of things and services necessary, appropriate, or convenient for the prosecution of war, or for the invention, development, or production of, or research concerning any such things, including but not limited to, aircraft, buildings, vessels, arms, armament, equipment, or supplies of any kind, or any portion thereof, including plans, spare parts, and equipment therefor, materials, supplies, facilities, utilities, machinery, machine tools, and any other equipment, without any restriction of any kind, either as to type, character, location, or form.

3. The War Department, the Navy Department, and the United States Maritime Commission may by agreement modify or amend or settle claims under contracts heretofore or hereafter made, may make advance, progress, and other payments upon such contracts of any per centum of the contract price, and may enter into agreements with contractors and/or obligors, modifying or releasing accrued obligations of any sort, including accrued liquidated damages or liability under surety or other bonds, whenever, in the judgment of the War Department, the Navy Department, or the United States Maritime Commission, respectively, the prosecution of the war is thereby facilitated. Amendments and modifications of contracts may be with or without consideration and may be utilized to accomplish the same things as any original contract could have accomplished hereunder, irrespective of the time or circumstances of the making of or the form of the contract amended or modified, or of the amending or modifying contract, and irrespective of rights which may have accrued under the contract, or the amendments or modifications thereof.

4. Advertising, competitive bidding, and bid, payment, performance, or other bonds or other forms of security, need not be required.

Title II

Pursuant to Title II of the Act and for the protection of the interest of the United States, I do hereby prescribe the following regulations for the exercise of the authority herein conferred upon the War Department, the Navy Department, and the United States Maritime Commission.

1. All contracts and all purchases made pursuant to the Act and this Executive Order shall be reported to the President of the United States. Such reports shall be made at least quarter-annually, provided, however, that purchases or contracts of less than \$100,000 may be consolidated in such reports with other such purchases and need not be separately set forth. In case the War Department, the Navy Department, or the United States Maritime Commission shall deem any purchase or contract to be restricted, confidential, or secret in its nature by reason of its subject matter, or for other reasons affecting the public interest, such purchases or contracts shall not be included with those described in the report just mentioned, but shall be included in a separate report containing such restricted, confidential, or secret purchases or contracts. The Secretary of War, the Secretary of the Navy, and the United States Maritime Commission

shall make public so much of such reports (other than those reports covering restricted, confidential, or secret contracts or purchases) as they shall respectively deem to be compatible with the public interest.

2. Notwithstanding anything in the Act or this Executive Order the War Department, the Navy Department, and the United States Maritime Commission shall not discriminate in any act performed thereunder against any person on the ground of race, creed, color, or national origin, and all contracts shall be deemed to incorporate by reference a provision that the contractor and any subcontractors thereunder shall not so discriminate.

3. No claim against the United States arising under any purchase or contract made under the authority of the Act shall be assigned except in accordance with the Assignment of Claims Act, 1940 (Public, No. 811, 76th Congress, approved October 9, 1940).

4. Advance payments shall be made hereunder only after careful scrutiny to determine that such payments will promote the national interest and under such regulations to that end as the Secretary of War, the Secretary of the Navy, or the United States Maritime Commission may prescribe.

5. Every contract entered into pursuant to this order shall contain a warranty by the contractor in substantially the following terms:

"The contractor warrants that he has not employed any person to solicit or secure this contract upon any agreement for a commission, percentage, brokerage, or contingent fee. Breach of this warranty shall give the Government the right to annul the contract, or, in its discretion, to deduct from the contract price or consideration the amount of such commission, percentage, brokerage, or contingent fees. This warranty shall not apply to commissions payable by contractors upon contracts or sales secured or made through bona fide established commercial or selling agencies maintained by the contractor for the purpose of securing business."

6. Nothing herein shall be construed to authorize the cost-plus-a-percentage-of-cost system of contracting.

7. Nothing herein shall be construed to authorize any contracts in violation of existing law relating to limitation of profits, or the payment of a fee in excess of such limitation as may be specifically set forth in the act appropriating the funds obligated by a contract. In the absence of such limitation, the fixed fee to be paid the Contractor as a result of any cost-plus-a-fixed-fee contract entered into under the authority of this Order shall not exceed seven per centum of the estimated cost of the contract (exclusive of the fee as determined by the Secretary of War, or the Secretary of the Navy, or the Maritime Commission, as the case may be).

8. No contract or modification or amendment thereof shall be exempt from the provisions of the Walsh-Healey Act (49 Stat. 2036) because of being entered into without advertising or competitive bidding, and the provisions of such act, the Davis-Bacon Act, as amended (49 Stat. 1011), the Copeland Act, as amended (48 Stat. 948), and the Eight Hour Law, as amended by the Act of September 9, 1940 (Public, No. 781, 76th Congress), if otherwise applicable shall apply to contracts made and performed under the authority of this Order.

/s/ FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, December 27, 1941.
(No. 9001.)

(c) The requisition should furnish the following information:

EXHIBIT E

(Public Law 530—77th Congress)

(Chapter 249—2d Session)

(S. 2212)

AN ACT To suspend during war or national emergency declared by Congress or by the President the provisions of section 322 of the act of June 30, 1932, as amended, relating to certain leases

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the provisions of section 322 of the Act of June 30, 1932 (47 Stat. 412), as amended by section 15 of the Act of March 3,

1933 (47 Stat. 1517), shall not apply during war or a national emergency declared by Congress or by the President to such leases or renewals of existing leases of privately or publicly owned property as are certified by the Secretary of War or the Secretary of the Navy, or by such person or persons as he may designate, as covering premises for military, naval, or civilian purposes necessary for the prosecution of the war or vital in the national emergency.

Approved, April 28, 1942.

EXHIBIT F

Pers-102-EZ.
ND11/N4-1 (251).

AUGUST 20, 1942.

FIRST ENDORSEMENT

From: The Chief of Naval Personnel.

To: The Chief of the Bureau of Yards and Docks.

Subject: Temporary Quarters Ashore for Officers Attached to Units of the Fleet for Whom No Public Quarters are Available.

1. In compliance with the request contained in basic correspondence the following information is supplied relative to the hire of quarters for officers or men where there are not sufficient public quarters to accommodate them.

(a) The necessity for the hire of quarters must be due (1) to emergency conditions existing (such as the destruction of public quarters or the military necessity of keeping personnel in a group) or (2) to the fact that the personnel concerned have been deprived of their quarters on board ship due to repairs or other conditions which render them uninhabitable, and there are not sufficient public quarters to accommodate them.

(b) The Commandant being cognizant of such conditions then, at his own discretion or at the request of the personnel concerned, obtains bids (three if possible) for such rooms as are needed and complying with General Order 138, prepares a requisition which is submitted to the Bureau of Naval Personnel for recommendation and by that Bureau forwarded to the Secretary of the Navy (Bureau of Yards and Docks) for authorization and preparation of lease.

(c) The requisition should furnish the following information: Description of accommodations required. Date when occupation is desired. Period for which quarters is required. The names of officers who will occupy the quarters or estimated number of officers or enlisted men to occupy the quarters.

(d) The requisition should also bear a statement showing that the personnel are deprived of their quarters aboard ship or the emergency conditions which necessitate the hire of quarters.

(e) Approval should be made in the case of request for more than one person that the number of rooms may be increased or decreased as conditions change; and should provide for the maintenance and service of the rooms hired.

(f) The requisitions should be drawn up as a charge against the appropriation "Pay, Subsistence, and Transportation, Navy, Subhead 11."

2. Approval for hire of quarters may be requested by despatch in advance subject to the subsequent formal approval and authorization mentioned in paragraph one (b).

3. There is no legal limit on the costs authorized for the hire of quarters. This places a burden of discretion, common sense, and good faith on the part of the Navy in general and on the office submitting the requisition and the Bureau of Naval Personnel in particular. The authorization for the hire of quarters has been of great benefit to naval personnel and this Bureau does not wish to jeopardize it. The limit of cost should therefore be that which appears conservative and reasonable in the circumstances. The rental allowance of officers and the cash allowance in lieu of quarters for enlisted men may be taken as a general guide. It may be necessary to exceed such rates and it may be possible to obtain quarters for less than such amounts. In the Eleventh Naval District two dollars a day per room for officers appears to be a reasonable limit.

4. The language of the appropriation act specifies that quarters so hired shall be "comparable to quarters assignable on a capital ship." This Bureau considers that the maximum quarters which may be furnished under this description,

although lesser accommodations may be prescribed by the Commandant, The Bureau of Naval Personnel, or by the Secretary of the Navy, to be:

Flag Officers and Captains—Bedroom, sitting room, kitchen, pantry, and bath.

Commanders—Bedroom, sitting room, and bath.

All other Officers—Bedroom and bath.

Chief Petty Officers—Bedroom (two to a room) and bathing facilities.

Enlisted men—Bedroom (four to a room) and bathing facilities.

5. For aviation units an annual requisition may be prepared in accordance with the provisions of Article 2723 (2) of the Bureau of Supplies and Accounts Manual to cover emergency conditions.

6. The appropriation "Pay, Subsistence, and Transportation" does not cover the rental of buildings or properties. Should it appear desirable to rent buildings as bachelor officers' quarters or as barracks for enlisted men the proper procedure is for the recommendation for such rental to be made to the Secretary through the Bureau of Naval Personnel and the Bureau of Supplies and Accounts as the applicable appropriation is "Maintenance," Bureau of Supplies and Accounts.

7. The hire of quarters or the rental of buildings for bachelor officers' quarters or barracks is for officers and enlisted men only and not for occupancy by their dependents.

[Signed] L. E. DENFELD,
L. E. Denfeld,

Acting Chief of Naval Personnel.

CC—Comdr, 11th Naval District.

EXHIBIT G

U. S. Standard Form No. 2 (Revised) Approved by the Secretary of the Treasury, May 6, 1935

LEASE BETWEEN

AND THE UNITED STATES OF AMERICA

1. THIS LEASE, made and entered into this day of in the year one thousand nine hundred and by and between whose address is for heirs, executors, administrators, successors, and assigns, hereinafter called the Lessor, and THE UNITED STATES OF AMERICA, hereinafter called the Government:

WITNESSETH: The parties hereto for the considerations hereinafter mentioned covenant and agree as follows:

2. The Lessor hereby leases to the Government the following described premises, viz:

to be used exclusively for the following purposes (see instruction No. 3):

3. TO HAVE AND TO HOLD the said premises with their appurtenances for the term beginning and ending with

4. The Government shall not assign this lease in any event, and shall not sublet the demised premises except to a desirable tenant, and for a similar purpose, and will not permit the use of said premises by anyone other than the Government, such sublessee, and the agents and servants of the Government, or of such sublessee.

5. This lease may, at the option of the Government, be renewed from year to year at a rental of and otherwise upon the terms and conditions herein specified, provided notice be given in writing to the Lessor at least days before this lease or any renewal thereof would otherwise expire: Provided that no renewal thereof shall extend the period of occupancy of the premises beyond the day of

6. The Lessor shall furnish to the Government, during the occupancy of said premises, under the terms of this lease, as part of the rental consideration, the following:

7. The Government shall pay the Lessor for the premises rent at the following rate:

Payment shall be made at the end of each

8. The Government shall have the right, during the existence of this lease, to make alterations, attach fixtures, and erect additions, structures, or signs, in or upon the premises hereby leased (provided such alterations, additions, structures or signs shall not be detrimental to or inconsistent with the rights granted to other tenants on the property or in the building in which said premises are located) ; which fixtures, additions, or structures so placed in or upon or attached to the said premises shall be and remain the property of the Government and may be removed therefrom by the Government prior to the termination of this lease, and the Government, if required by the Lessor, shall, before the expiration of this lease or renewal thereof, restore the premises to the same condition as that existing at the time of entering upon the same under this lease, reasonable and ordinary wear and tear and damages by the elements or by circumstances over which the Government has no control, excepted: Provided, however, that if the Lessor requires such restoration, the Lessor shall give written notice thereof to the Government _____ days before the termination of the lease.

9. The Lessor shall, unless herein specified to the contrary, maintain the said premises in good repair and tenable condition during the continuance of this lease, except in case of damage arising from the act or the negligence of the Government's agents or employees. For the purpose of so maintaining the premises, the Lessor reserves the right at reasonable times to enter and inspect the premises and to make any necessary repairs thereto.

10. If the said premises be destroyed by fire or other casualty this lease shall immediately terminate. In case of partial destruction or damage, so as to render the premises untenable, either party may terminate the lease by giving written notice to the other within fifteen days thereafter, and if so terminated no rent shall accrue to the Lessor after such partial destruction or damage.

11. No Member of or Delegate to Congress or Resident Commissioner shall be admitted to any share or part of this lease or to any benefit to arise therefrom. Nothing, however, herein contained shall be construed to extend to any incorporated company, if the lease be for the general benefit of such corporation or company.

IN WITNESS WHEREOF, the parties hereto have hereunto subscribed their names
as of the date first above written.
In presence of :

Lessor.

(Address)

UNITED STATES OF AMERICA,
By _____

(Official title)

(If Lessor is a corporation, the following certificate shall be executed by the secretary or assistant secretary.)

I, _____, certify that I am the _____ Secretary of the corporation names as Lessor in the attached lease; that _____, who signed said lease on behalf of Lessor, was then _____ of said corporation; that said lease was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

[CORPORATE SEAL]

INSTRUCTIONS TO BE OBSERVED IN EXECUTING LEASE

1. This standard form of lease shall be used whenever the Government is the lessee of real property; except that when the total consideration does not exceed \$100 and the term of the lease does not exceed 1 year the use of this form is

optional. In all cases where the rental to be paid exceeds \$2,000 per annum the annual rental shall not exceed 15 per centum of the fair market value of the rented premises at the date of lease. Alterations, improvements, and repairs of the rented premises by the Government shall not exceed 25 per centum of the amount of the rent for the first year of the rental term or for the rental term if less than 1 year.

2. The lease shall be dated and the full name and address of the lessor clearly written in paragraph 1.

3. The premises shall be fully described, and, in case of rooms, the floor and room number of each room given. The language inserted at the end of article 2 of the lease should specify only the general nature of the use, that is, "office quarters," "storage space," etc.

4. Whenever the lease is executed by an attorney, agent, or trustee on behalf of the lessor, two authenticated copies of his power of attorney, or other evidence to act on behalf of the lessor, shall accompany the lease.

5. When the lessor is a partnership, the names of the partners composing the firm shall be stated in the body of the lease. The lease shall be signed with the partnership name, followed by the name of the partner signing the same.

6. Where the lessor is a corporation, the lease shall be signed with the corporate name, followed by the signature and title of the officer or other person signing the lease on its behalf, duly attested, and, if requested by the Government, evidence of his authority so to act shall be furnished.

7. Under paragraph 6 of the lease insert necessary facilities to be furnished, such as heat, light, janitor service, etc.

8. There shall be no deviation from this form without prior authorization by the Director of Procurement, except—

(a) Paragraph 3 may be drafted to cover a monthly tenancy or other period less than a year.

(b) In paragraph 5, if a renewal for a specified period other than a year, or for a period optional with the Government is desired, the phrase "from year to year" shall be deleted and proper substitution made. If the right of renewal is not desired or cannot be secured paragraph 5 may be deleted.

(c) Paragraph 6 may be deleted if the owner is not to furnish additional facilities.

(d) If the premises are suitable without alterations, etc., paragraph 8 may be deleted.

(e) Paragraph 9 provides that the lessor shall, *unless herein specified to the contrary*, maintain the said premises in good repair, etc." A modification or elimination of this requirement would not therefore be a deviation.

(f) In case the premises consist of unimproved land, paragraph 10 may be deleted.

(g) When executing leases covering premises in foreign countries, departure from the standard form is permissible to the extent necessary to conform to local laws, customs, or practices.

(h) Additional provisions, relating to the particular subject matter mutually agreed upon, may be inserted, if not in conflict with the standard provisions, including a mutual right to terminate the lease upon a stated number of days' notice, but to permit only the lessor so to terminate would be a deviation requiring approval as above provided.

9. When deletions or other alterations are permitted specific notation thereof shall be entered in the blank spaces following paragraph 11 before signing.

10. If the property leased is located in a State requiring the recording of leases in order to protect the tenant's rights, care should be taken to comply with all such statutory requirements.

EXHIBIT H. SECOND WAR POWERS ACT

Title II of the Act of Congress approved March 27, 1942 (Public No. 507, 77th Congress) known as the "Second War Powers Act" reads as follows:

TITLE II—ACQUISITION AND DISPOSITION OF PROPERTY

SEC. 201. The Act of July 2, 1917 (40 Stat. 241), entitled "An Act to authorize condemnation proceedings of lands for military purposes," as amended, is hereby amended by adding at the end thereof the following section:

"SEC. 2. The Secretary of War, the Secretary of the Navy, or any other officer, board, commission, or governmental corporation authorized by the President, may

acquire by purchase, donation, or other means of transfer, or may cause proceedings to be instituted in any court having jurisdiction of such proceedings, to acquire by condemnation, any real property, temporary use thereof, or other interest therein, together with any personal property located thereon or used therewith, that shall be deemed necessary, for military, naval, or other war purposes, such proceedings to be in accordance with the Act of August 1, 1888 (25 Stat. 357), or any other applicable Federal statute, and may dispose of such property or interest therein by sale, lease, or otherwise, in accordance with section 1 (b) of the Act of July 2, 1940 (54 Stat. 712). Upon or after the filing of the condemnation petition, immediate possession may be taken and the property may be occupied, used, and improved for the purposes of this Act, notwithstanding any other law. Property acquired by purchase, donation, or other means of transfer may be occupied, used, and improved, for the purposes of this section prior to the approval of title by the Attorney General as required by section 355 of the Revised Statutes, as amended."

NOTE.—The Act of July 2, 1940 (54 Stat. 712), referred to in the above quoted title of the Second War Powers Act, provides that the Secretary of War may lease, sell or otherwise dispose of the property therein mentioned "When he deems it necessary in the interest of the national defense."

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9052 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

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EXHIBIT No. 972

DISCUSSION PRIOR TO REACTION TO SUGGESTION

CITY OF MIAMI BEACH, FLA., *February 14, 1942.*

GEIGER. You say Miami area, you mean Miami Beach. What is it going to cost per man? In some cases are you going to put double-decker beds in room—four men to room?

HANKS. Would the officers be here with their families? Would they rent homes. There are 600 homes on the market now for rent. Would the officers live with the enlisted men or separately? They told us they would probably start with a group of 5,000 and up to 100,000. Is it right they are to have 2,000,000 in this thing in a year? Is this for fliers or ground men? Naturally, they would also be a protection to us.

WEIL. They have studied the problem well or they would not mention the municipal golf course for training. This is excellent as the hotels are located with'n this area. I figure it will take 20 hotels, 250 per unit for accommodations of those which will be able to feed them at the same time. It must be considered that t'ey should be fed on the spot.

TURCHIN. Would it be possible for the Government to consider taking all of the hotels at one time in this area?

TALLEY. Too many for immediate decision—it might.

ALLENBURG. What base do you intend to use as a measure of value?

TALLEY. \$10 per man per month.

HANKS. Would there be a minimum? A minimum of men sent to a hotel. If the space is available for 200, would they be paid on this basis?

TALLEY. Yes; if 250-men space available, you would be paid on this basis.

WEIL. You could do it on this price.

EDELSON. At the end of 5 years you won't have anything, best to take what you can get.

PANCOAST. It cannot be done.

HALPERIN. Wouldn't it be easier to scatter the men rather than have them concentrated in one place. I'm thinking of Pearl Harbor.

TALLEY. That is a good suggestion, but it cannot be worked out in a city of any size. You must operate as a unit. Not necessarily take every hotel in a line.

MILLER. If you take dressers and chests and extra equipment out, you could probably put in four beds.

TALLEY. You are allowed 600 cubic feet per man, 60 square feet.

MILLER. Would we take carpets up?

TALLEY. Preferably, yes.

HANKS. Removal of drapes, pictures, all frills.

TALLEY. Normal housing—beds, chairs, tables, etc.

EDELSON. How about linens?

TALLEY. These could be used. A small writing desk would be good, too. Pots and pans we can get. If it is reasonable, like selling to the Government, I think something can be worked out. We are not trying to put you out of business by taking things out which you cannot use or sell.

TURCHIN. In that figure, you would take care of all necessary repairs during the time of occupation of this property? What I mean to say is if you have older

properties and new property, do you think it is fair to put one price on all property?

TALLEY. I am not going to recommend that every hotel be given \$10 per man per month.

MILLER. Does the Government pay real-estate taxes, insurance, or anything like that?

PANCOAST. Yes, and operating expenses, like light.

HANKS. You would pay taxes and interest on mortgage, etc. How about a crew to repair elevators, keep lawns in shape—in other words, operating maintenance?

TALLEY. Yes; this would be taken care of. It might be desirable to employ elevator operators.

PANCOAST. If we had a bedroom with scarred walls, would you be responsible for that. Will you take care of that? Will it all be just as we left it?

HANKS. May I say legally—to restore with ordinary wear and tear excepted. The building would need painting, the floor might need refinishing in this period of time.

TALLEY. That would have to be contemplated.

PANCOAST. Can you make subcontracts to take care of that building?

TALLEY. I cannot say we will spend so many dollars to restore your building.

EDELSON. How about public space, is there any amount per man? Like lobby, dining room, etc.

TALLEY. We plan on using the room space available—not kitchen, not hall. We could use the solarium for sleeping quarters.

EDELSON. How about the passage leading into the room—do you count that?

TALLEY. Most of the rooms arranged that way are kept down by a minimum of cubic space—this has to be figured on cubic footage and square footage.

MILLER. It seems to me it would make a big difference if you would take possession on March 15 or April 1. What could we do with our seasonal guests?

TALLEY. We are not going to arrive on March 15 with 5,000 men. It is going to grow up. It is going to grow quickly, not weeks with 10 or a hundred men.

MILLER. The success of whether you take these hotels depends upon whether you get hotels in one area?

TALLEY. We will not string out over the whole beach.

TURCHIN. Would it not be simpler if you picked out the properties and appraised them?

TALLEY. We will make appraisals. We will not give the same amount of rental for the Roney and also for the little hotel next door.

TURCHIN. Instead of figuring so much per man—how about so much money for that piece of property?

HANKS. That is beyond the lieutenant. There is a minimum guaranteed. Another thing, they can use the cabanas. They are equipped with running water in many instances. They can use your swimming pools for antiaircraft guns—did you think of that?

WEIL. Have you in your survey picked out any properties? Our ocean-front hotels starting with approximately Lincoln Road, I am taking everything within a radius of one-half mile from the course, we could take care of 5,600, men and that includes those who can feed them. I am figuring this on two men in a room average; no, about two and a half.

EDELSON. Could we use cot as well as twin beds in one room?

TALLEY. Yes; I think that would work out.

HANKS. Chances are there won't be any men here until April 1 probably. Some of you who have contracts would have to make refunds.

TALLEY. You would have notice. I cannot tell you tomorrow, but probably by the end of next week I could tell you.

(From here on continues reaction to suggestion—as given in other section attached.)

CITY OF MIAMI BEACH, FLA., February 14, 1942.

Present at meeting: Mrs. John Wofford, Wofford Hotel; Mr. J. H. Miller, Surfside Hotel; Mr. A. Pancoast, Pancoast Hotel; Mr. M. Sirkin, Albion Hotel; Mr. Ben Turchin, Sea Isle; Mr. Ben Gaines, Vanderbilt; Mr. Bruno Weil, Belmar; Mr. Abe Allenberg, Wofford; Mr. A. Halperin, Traymore; Mr. Edelson, Triton; Lieutenant Talley; Mr. Tom F. Smith, city of Miami Beach; Mr. Bryan Hanks; Mr. August Geiger, Dade County Defense; Mr. John Duff, Hotel Association; Mr. William Law, Hotel Association; Mrs. Frances P. Christian, secretary, city of Miami Beach.

REACTION TO SUGGESTION

EDELSON. I do not think the compensation will work out because the average mortgage, allowing 15 percent, interest on investment, allowing depreciation—

DUFF. What if everything is boarded up and there isn't anything here?

EDELSON. This is a good plan for the lessee, not the owner. He can get his rental back from the Government, but the owner has to replace and restore. His gamble is whether the war will end quickly and whether no bombs will drop.

DUFF. If he can guess, he is better than most—even Churchill. Churchill puts it at 10 years—let's split and make it 5 years—can the owners stand that?

EDELSON. It depends upon whether or not bombs drop.

DUFF. There will be no tourists and if our hotels are boarded up, then we will lose them.

TURCHIN. The Government does not want to drive a hard bargain. The property owners would be smart to take this offer. You cannot make a profit, you can keep going and that is all.

MILLER. You cannot make a profit, that is sure.

HANKS. \$10 is tops—if this is not accepted, they can decide whether to take the property as condemnation. They can take it, gentlemen.

GAINES. I cannot afford to give rooms to the Government. I am a lessee. This will wash out the lessee. I will lose \$12,000 a year on three to a room. This is as a lessee—the owner can do it, I believe.

HANKS. It will protect your mortgage investment.

MILLER. I think we can handle it on this basis.

Mrs. WOFFORD. I think we can handle it and will be glad to do so.

TURCHIN. We have the newest hotel with more public space per room and I do not think we can do it. There is more capital investment per room in the new hotel than in the older. We would lose money. On mortgage, depreciation, we will lose. Also, in making a living. As an owner who has everything in that property, how about eating? How about my employees?

TALLEY. We can give some of the employees jobs. This is not official. In the development of the war in England, they use all available man power, men, women, and children. They are now to a point of total consumption. Our development is going to be along that same line. It might be tomorrow that we will have even conscripted from 65 to older. You are going to have a definite job. You might be in the Army, or you might be in the Navy, or you might be in Ford's plant—or somewhere. So you will not realize a profit from your hotel from tourists, whether you fall in line with us or not. If your property is costing \$50,000 per year and we work it out giving you a profit of \$10,000 or \$200, we are not going to argue with you about that. We are not going to give you \$75,000, though.

EDELSON. Have you considered the damage that might be caused to the other hotels.

HANKS. How about the profits that might ensue to them?

EDELSON. But travel will be at a standstill.

HANKS. Parents will come down to see the boys. There are two things they have considered: They are going to build or they are going to house in available buildings. Some want to build; spend millions of dollars. But another group says they think we should use available facilities. Insofar as drilling is concerned, these troops are not going to drill as we think of it—it is more exercise. In time, every hotel and apartment house may be occupied. It is practical. We have long hours here, we have wonderful climate. Before we know it, it will be 50,000 men.

WEIL. We should have this gentleman representing the War Department understand one thing. We are ready for anything that is fair. It is fortunate we are used to our democratic ways. There are not many in this room who have gone through total war. I have. I went through it last time in Germany. We do know one thing. I have written to Senator Pepper: If we can accommodate 100,000 to 150,000 visitors, we can take care of the men. Do not let us lose our property. Those who have not paid for it will do so. We are negligent. How deep we can stick our heads into the sand. Whether we will come out or not, is the question. If we can save the Government time and expense of building, we will help. We will send our guests home tomorrow if it is necessary.

HALPERIN. What I would like to see is this gentleman take what he wants, we can figure it out later. I think it is proper for him to say what he wants. I am willing to cooperate and turn what I have over to the Government.

TALLEY. The result of my visit to Miami Beach and other areas is going to result in a decision being made in the War Department in Washington as to how

and where we are going to house these people. We are not going to come in and take your property. I would much rather work it out as a group so all are taken care of. I would like to know who cannot work it out on \$10 basis. That is the tops. If we pay more, we will build camps. We can operate much more efficiently.

HALPERIN. You all talk about a long war—where will that property be then with mortgages and interest to pay?

HANKS. Your point is to cooperate, I know. No one here can expect to get more than \$10 per man.

HALPERIN. We are not interested in making a profit. We are willing to cooperate with the Government.

TALLEY. * * * If rented to a group of hotels and one did not want to cooperate, we could utilize the courts.

HALPERIN. If you take the housing project anywhere, one man will always hold out. You go ahead and take what is needed—we will make out.

WEIL. There will be no question but what you can come in here and find exactly what you want, because the one or two or three who object will come begging to you. They would be finished, otherwise.

TURCHIN. If I can get by—not with a profit—I want to cooperate. Whatever the Government feels is fair, we will cooperate—please do not misunderstand me.

GEIGER. Please, for the report, it is not a question of whether they take it over or all these other details. It is a question of whether we can we can do it for \$8, \$9, or \$10. No details—just what we can do.

HALPERIN. What I mean is cooperation. We may not be able to pay our expenses at \$10 per man.

EDELSON. Is your thought that by having the Government take this over, it would be a moratorium?

HANKS. I do not think that is what was meant.

GAINES. May I suggest that he picks out the hotels he wants and then get the people who own the hotels together and see what he wants.

PANCOAST. I cannot speak for the owner—he is not here. \$10 per day, pardon, per month per man will not cover interest, taxes, and even partial depreciation. I am giving a quick answer—I have not figured it out on a basis of our hotel on a footage basis.

HANKS. Maybe we will want to break up and meet tomorrow morning.

PANCOAST. We are all thinking, none of us know. Are you going to stay on the ocean side of Collins or go back? We have a dormitory which will house many and which we use for our employees. This is west of Collins. It is part of our investment.

TALLEY. This idea is to keep it as a unit. We will use it as part of your investment.

(Discussion regarding hotels in section mentioned and apartments available— which will be prepared and submitted.)

TALLEY. I can talk to another group further down the line, from one and to the other and find out whether it is going to work. They would not have to have a meeting. It would be the same as here. I can include in my survey 9,500 people as in this area as accessible to the golf course. They could bring in 5,000 and expand from that.

ALLENBURG. You can take the words of the hotel men—we have arrangements.

TALLEY. Some of the buildings may not be suitable. The one in the middle may not be adaptable. I will want the flood plans, but not now. My office is full of them and they don't do me any good.

HANKS. What are the facilities from Twenty-third and Lincoln? The apartments and hotels are thick here.

WEIL. They could not feed them, but could house them. Within range of the golf course, $\frac{1}{4}$ or $\frac{1}{2}$ mile, they could take care of 10,000 not for feeding, but for housing.

TALLEY. I am correct in saying those hotels are represented here in which I am interested?

GAINES. My landlord will be in town tonight. I cannot O. K. for him as I am only the lessee.

EDELSON. How about working with the operators until the close of the season?

HANKS. The Government will cooperate with us.

Mrs. WOFFORD. We could take care of a few at a time—advise the Government how many rooms we have available as the season goes on.

EDELSON. You cannot take a few at a time, you must take them all, at one time.

TALLEY. I think the best thing to do is to contact the owners and let Mr. Law know the results.

HANKS. Do we have to sell this thing? Someone said we are going to lose everything. We can work out a plan whereby we can contact each one individually.

PANCOAST. I cannot represent the owner, but my reaction is this: This group say they will work this out at \$10 per man per month.

HANKS. Keep these thoughts in mind: With normal wear and tear excepted, the hotels will be returned to the owners. Probably employment of some of the people on the premises now. They will need only the bare necessities: Beds, dressers, desk, sheets will be sold to them. Silverware will be used in part, dishes likewise.

WEIL. From a practical point of view that should be left to an individual. Some have expensive silverware—dishes; it would not be advisable to use that. Leave it to the man who takes the inventory. The Government and the owner can decide.

EDELSON. Who carries the insurance?

HANKS. Mortgage, taxes, and insurance will be taken care of by the owner.

WEIL. While we understand we are to take care of the interest payments, is it possible there is a law that during the time of occupation by the Army forces there should be a moratorium on mortgage payment, not interest? I think there is a law to this effect on these types of buildings. As soon as interest is satisfied, this is amortized.

EDELSON. I think if they get the interest, they will go along.

HANKS. I am sure the owners of these mortgages will cooperate. There will be no other meeting. We will call you individually. Be sure and say nothing. Please, leave this in this room.

CITY OF MIAMI BEACH, FLA., February 15, 1942.

Present at meeting: Mr. J. N. Morris, Jefferson and St. Moritz; Mr. Pierre Bayle, Grand; Mr. N. B. T. Roney, Cromwell and Town House; Mr. Hugh Purvis, with Mr. Roney; Mr. Fred King, Raleigh (representing John King, president); Miss L. Layfield, with Mr. King; Baron G. L. de Nieuwenhova, Sands; Mr. M. Kirsch, Sands (manager); Mr. Paul Grossinger, Mr. Jos. Edell, Grossinger Beach; Mr. N. H. Hankoff, Royal Palm; Mr. A. Greenburg, Bancroft; Mr. E. L. O'Leary, Dorchester; Mr. H. Sirkin, Albion and Atlantis; Mr. H. Koretsky, National; Mr. S. Halperin, Traymore; Mr. J. Greenwald, Shelbourne (manager); Mr. A. Stone, Blackstone; Mr. Schwenger, Sea Isle; Mr. B. Kane, Belmar (owner); Mr. B. Weil, Belmar; Lieutenant Talley, Mr. A. Geiger, Mr. B. Hanks, Mr. W. Law, Mr. J. Duff, Mr. Tom F. Smith, Mrs. Frances P. Christian.

Mr. Law reported 3,286 rooms represented at two meetings, February 14 and 15.

REACTIONS TO SUGGESTION

NIEUWENHOVE. I think the Government is very generous to make such an offer. I think I could lose my building. In my country, in France, they take your building and give you nothing. There should be no discussion. We are fortunate. Here in the United States, they consider you.

KIRSCH. I agree with the baron.

GROSSINGER. I agree with these two gentlemen.

EDELL. And I.

GREENBURG. I pledge full cooperation to the Government.

KANE. I am fully in accord with the Government. If they were to take, as far as my hotel and then leave it out, I would insist they would take mine. They should not leave any out. I think it would be unfair to the property owners. It would be worth nothing—no guests would come. I feel everyone of us here—our property should be turned over to the Government. They can have my hotel.

HANKOFF. I am absolutely in hearty accord. I will leave it to Uncle Sam to do right by us.

O'LEARY. They are welcome to my hotel.

SIRKIN. They are welcome to mine. But I think it should be done fairly and leave none out.

KANE. They are taking so many rooms. Isn't there a possibility they will take more hotels?

TALLEY. My plan is based on 5,000 men, but there may be 15,000 to 20,000. What I want is a complete picture.

GREENWALD. I am sorry but I am only the manager. The owner is in Philadelphia. I will contact him. I cannot answer.

EDELL. I think Mr. Freeland will cooperate 100 percent.

HANKS. I do not like to ask you to go to the expense, but I think you should, with shortage of time in mind, either talk to him or telegraph.

KORETSKY. I think the United States needs my building—they are welcome to it.

WEIL. I expressed myself yesterday—I am even more in accord today.

MORRIS. I will cooperate to 100 percent.

STONE. 100-percent cooperation.

BAILEY. I am 100 percent and I want to say that in Europe, where I come, they are not so generous.

RONEY. I will cooperate 100 percent. I am the owner and cannot speak for tenants, of course.

KING. 100 percent.

HALPERIN. I have only part interest in a hotel, but I want to go into the record that a cantonment would serve the Government better and the city of Miami Beach would serve it better. It would serve the men in training better than all these hotels in Miami Beach.

SCHWENGER. They can have everything I have.

CITY OF MIAMI BEACH, FLA., *February 18, 1942.*

Present at meeting: Mr. S. J. Kanner, Adams Hotel; Mr. R. Imerblum, Mayfair; Mrs. William Gamsa, Tyler; Mrs. E. W. Schoenthal, Adams; Mr. Max Mats and Mr. Edward Mats, Vanderbilt; Mr. — Mats' sons, Mr. S. M. Allen, Allen; Mr. Sam Brody, Governor; Mr. E. W. Collins, Collins Park; Mr. George Willis, Barclay Plaza; Mr. Milton Sirkin, Mr. Edward Sirkin, Mr. Harry Sirkin, Albion; Mr. S. Katz, Plymouth; Mr. Pearle, accountant at Plymouth, with Mr. Katz; Mr. H. Dinnerstein, Richmond; Mr. A. Pancoast, Mr. R. Pancoast, Pancoast; Mr. Gaines, Vanderbilt (manager); Mr. S. Lichtenfeld, South Seas; Mr. F. Humpage, Flamingo; Mr. Bryan Hanks, Mr. A. Geiger, Mr. J. Duff, Mr. William Law, Mrs. Frances Christian.

REACTIONS TO SUGGESTION

BRODY. We are at war—if the Government comes in and gives me \$1 per year, I would be happy. Why all the questions? I am in accord.

R. PANCOAST. O. K.

COLLINS. O. K.

WILLIS. My hotel will be available if I can work out something to protect myself on the lease.

HUMPAGE. O. K.

DINNERSTEIN. I will cooperate.

KATZ. O. K.

KANNER. O. K.

IMERBLUM. O. K.

LICHTENFELD. O. K.

MRS. GAMSA. O. K.

MRS. SCHOENTHAL. I am the lessee—the owner will have to work it out.

MR. MATS. O. K.

MR. ALLEN. O. K.

EXHIBIT No. 973

[From the Miami Herald, March 23, 1942]

ARMY ABANDONS BEACH TRAINING EXPANSION AS HOTELS INCREASE RATES

(C. J. Watters, Herald staff writer)

Army negotiators were ordered to abandon all plans for expansion of the training program at Miami Beach, it was learned Sunday night, because a group of hotel owners had backed down on original agreements to turn their facilities over to the Army and were demanding higher rates.

Washington told its negotiators, who have been here seeking to arrange for establishment of a 35,000-man training unit, to leave this district and arrange the necessary housing at St. Petersburg.

Hotel owners on Ocean Drive and Collins Avenue south of Eighteenth Street are reported to have hiked their rates from 100 percent to almost 200 percent over the original prices agreed upon in preliminary conferences.

The Army is seeking to set up an Air Corps reception and classification center. In addition to the 35,000 men who would receive preliminary instruction, 4,500 permanent officers, with their families, would be assigned to the school.

A number of hotels at the beach have agreed to go along with the Government on the basis originally agreed upon, but the group south of Eighteenth Street Sunday night, by their action, had closed the door on all possibilities of getting the Army men assigned here.

One hotel, which originally had agreed to accept \$40,000 or \$45,000 backed down and demanded \$100,000. Another hotel that is demanding \$80,000 now, originally agreed to \$32,000. This particular hotel has two mortgages against it, and even the furnishings now are in danger of repossession by the vendor.

Immediately after War Department heads at Washington were informed of the change in attitude on the part of the hotel owners here, they ordered their men to leave. Business and civic leaders of Miami and Miami Beach started appeals at once for delay in closing the door on Miami as a site for major training operations.

Business leaders pointed out that the advent of all the enlisted men, officers, and their families would be a boon to the area.

A true copy:

[SEAL]

DOROTHY ATKINS COOK,
Notary Public, State of Florida at large.

My commission expires October 22, 1946.

[From the Miami Herald, March 20, 1942]

ARMY MAY USE MORE HOTELS

Among the hotels in which Army officers were said to be making inspections and "measuring rooms" are the Royal Palm, Shorecrest, Bancroft, St. Moritz, Charles, and the Wofford. The management at each place reported either "no" or "could be."

[From the Miami Herald, March 21, 1942]

MIAMI BEACH HOTELS VACATE GUESTS FOR ARMY

Owners of Miami Beach hotels to be taken over by the United States Army will vacate to make room for the soldier "guests" by 9 a. m. Sunday, it was revealed Friday night.

Although officers at the Army Air Corps officers' candidate school remained silent on the expansion plans, a number of hotels between Fifteenth and Twenty-third Streets were reported under requisition to provide living space for a new contingent.

The management of the Jefferson Hotel, 121 Fifteenth Street, revealed it had started moving guests to other hotels in preparation for Army occupancy Sunday.

Meanwhile, owners of two hotels mentioned as among those to be requisitioned declared their establishments apparently are to be passed over, at least for the present. The hotels are the Charles, 1475 Collins Avenue, and the St. Moritz, 1565 Collins Avenue.

Samuel G. Bast, owner of the Charles, said Army officers inspected his place Friday and made a lease offer which Bast did not wish to accept. They went away, he said, announcing they would not use the 124-room structure.

"I don't know the procedure," Bast said, "although it seems they make an offer which the owner can accept or reject. In the case of the Charles, the offer wasn't enough to carry costs of carrying the hotel as its obligations stack up now. I didn't see how I could turn it over."

The training school now occupies 5 hotels for more than 900. This school has indicated that it expects eventually to train 4,000.

A true copy:

[SEAL]

DOROTHY ATKINS COOK,
Notary Public, State of Florida at Large.

My commission expires October 22, 1946.

[From the Miami Daily News, March 24, 1942]

**MOVE TO REVIVE DEAL HINGES ON LOCAL ACTION—ATTEMPT TO PROFITEER AT
EXPENSE OF GOVERNMENT SCORED BY WOOTEN**

Selfishness and personal interest on the part of five or six Miami Beach hotel owners who attempted to profiteer at the expense of the Government were named Monday as the reasons why the Army Air Corps has dropped negotiations for the establishment of an Air Corps replacement center on Miami Beach.

Brig. Gen. Ralph H. Wooten, who had been sent here to command Air Corps activities of a technical nature in the Miami area, told newspapermen that some hotel owners, after agreeing on prices at which they would lease their hotels to the Army had, at the last minute, increased their prices to a point where it was impossible to do business with them.

Lt. Richard Talley, contracting officer in charge of negotiations, said that the five or six hotels wanted twice as much as their original agreement had called for.

There was no indication that the officer candidate's school already established on Miami Beach would be moved, and its commanding officer, Lt. Col. James S. Stowell, said that if facilities could be secured the expansion program of the training school would be carried out.

"The Japs and the Germans are not waiting for hotel men to make up their minds as to what they are going to do," General Wooten said.

He added that present orders are to discontinue negotiations for a replacement center which would have brought many thousands of men to the Miami area, and to look elsewhere for its location.

Any move to reopen the negotiations would have to come from the hotel men themselves and then be approved by War Department officials in Washington.

**TRAINING PLAN SPURRED ANEW—FRENZIED ACTIVITY MARKS EFFORTS TO UNDO
SET-BACK BY OBDURATE FIVE OR SIX**

(By Stephen Trumbull, Herald staff writer)

High hope that a day of frenzied activity by a united Miami Beach may cause the Army to reconsider its stop-order on plans for bringing additional thousands of soldiers here appeared on the horizon Monday night.

Officially the Army still was standing on the statement of Brig. Gen. Ralph H. Wooten that because of the noncooperative attitude of five or six beach-hotel men the Air Corps had called off its plan for a second and vastly larger encampment at the resort city; but the general had at hand as the day closed the unanimous pledge of 173 hotel owners to do business with the Army on the Army's terms.

The pledge of the 175 hotel men at a special meeting called by the Miami Beach Hotel Association following first publication in the Herald of the story of the Army's decision to look elsewhere for a site for the Air Corps replacement center, was handed to Lt. R. B. Talley, Air Corps procurement officer, shortly before 6 p. m.

SMILES REPLACE ARMY LOOKS

General Wooten could not be reached at that time, but the lieutenant spent an hour closeted at the Cromwell Hotel, scene of the hotel men's meeting, with the committee they had named. Bryan Hanks, chairman of the Dade County Defense Council; Mayor Val Cleary of Miami Beach; E. D. Keefer, member of the beach chamber of commerce and a real-estate appraiser; Beach Councilman Baron de Hirsch Meyer, Al Stone, of the Blackstone Hotel; and John Duff, president of the hotel association.

When the meeting with the lieutenant adjourned smiles had replaced the grim, angry looks of the earlier meeting when the ire of the community had been turned on the five or six who had all but wrecked the Army plan.

"It looks a lot more hopeful," one committeeman whispered as he left the hotel.

LAUDS COMMITTEE COOPERATION

"I can't speak in an official capacity," the lieutenant said. "Everyone in the official picture ranks these (tapping his single shoulder bars) by miles. I can say that this committee has shown me a very cooperative spirit and I am taking their message to the general at once."

Hanks had been the principal speaker at the meeting of the hotel men. Following his custom at such sessions, he minced no words as he told his audience what their city stood to lose. He told them the Army's plan was so vast that it contemplated a gigantic replacement camp which would see 1,000 men arriving here each day for a sorting-out process, while another 1,000 would depart each day. The plan contemplated 4,500 officers on duty at the center, men who would bring their wives and families here, and hospital of 1,000-bed capacity.

He told of the smooth progress of the plan at the outset, as smooth as was the progress in getting hotel facilities for the Air Corps officers' candidate school now in full swing on the beach.

HANKS SEES COLLUSION SIGNS

"Then, within the last few days, something happened," Hanks said. "There was evidence of some collusion between some of the hotel men. The Army was told that some of these hotels had hired lawyers to get injunctions against them—injunctions against the Government, if you please, injunctions against us."

"The War Department, of course, was informed of this. Lieutenant Talley was ordered to leave here Saturday, halting all negotiations. Because he knew General Wooten was arriving Sunday he asked for, and obtained, permission to remain over."

"I do not believe the situation is hopeless. The Government can change its mind, but it is up to you gentlemen to do something—and do it now."

Bruno Weil, of the Belmar Hotel, immediately moved for the formation of a committee "to be sent to Washington if necessary" to inform the Army that the attitude of the 'five or six' was not the attitude of Miami Beach. He offered \$100 toward the expenses of that committee.

300 HOTEL MEN READY

"I hate to think of what the Nation will think of Miami Beach," he said. "Over 300 Miami Beach hotel men stand ready to cooperate, yet we are to suffer from a half dozen whose hotels are so financially involved that they will sink in another 6 months anyhow."

There was wild applause as he finished.

[From the Miami Daily News, March 24, 1942]

BEACH LEADERS AND ARMY REOPEN DEAL FOR ESTABLISHMENT OF AVIATION SCHOOL

HOTEL OWNERS, DEFENSE HEADS SUBMIT DETAILS—PLANS FOR GIGANTIC OPERATIONS IN AREA SLOWLY UNFOLDING

(By George Goodwin)

Negotiations for the establishment of a United States Army Air Corps replacement center and extension of the Air Corps officer candidate school on Miami Beach were reopened on a tentative basis Tuesday morning after a conference between hotel men, city and defense officials, and Army officers.

Negotiations had been stopped suddenly Saturday morning when Army officers in charge of housing procurement here informed their superiors in Washington that, because of the attempts on the part of five or six hotel owners to charge approximately twice the rental prices they had previously pledged, it had been impossible to do business.

The War Department immediately ordered negotiations dropped here and its procurement officers to investigate other cities for a location for the replacement center and the thousands of men who would have to be housed in connection with it.

MASS MEETING HELD

Hotel men and city officials held a mass meeting late Monday afternoon to pledge full cooperation with the Army and to appoint a committee to "save the replacement center for Miami Beach," and "get the Army what it wants immediately."

The Tuesday morning conference was interrupted while Brig. Gen. Ralph H. Wooten telephoned his superiors in Washington.

At the close of the discussion the committee, which was appointed late Monday by John Duff, president of the Miami Beach Hotel Association, issued a lengthy statement requesting that all pledges of cooperation on the part of hotel owners, apartment-house owners, and the owners of warehouses, messing, and other facilities which will be needed by the Government be set forth in writing along with a complete statement of the facilities available for Army use.

PLEDGES HELPFUL

"Although General Wooten could not guarantee that the War Department would reconsider its order stopping negotiations," the statement read, "he believes such concrete offers will be very helpful in causing the War Department to give very serious consideration toward doing so."

Present at the conference held in the Cromwell Hotel were Duff; Bryan Hanks, chairman of the Dade County Defense Council; Mayor Val Cleary, of Miami Beach; Al Stone, owner of the Blackstone Hotel; Miami Beach Councilman Baron de Hirsch Meyer; and E. D. Keefer, director of the Miami Beach Chamber of Commerce, and real-estate appraiser.

The Army was represented by General Wooten; Lt. Richard Talley, who has charge of laying the groundwork for facility acquisitions; Col. Mert Proctor, who will command the replacement center; and Lt. John Holliman, who has been sent here to act in the role of procurement officer.

The group met again at 2 p. m., Tuesday, to resume actual negotiations for properties.

WANTS DATA AT ONCE

The statement revealed that the Army wants immediate information and pledges of cooperation from all hotel, apartment houses, garage, warehouse, and restaurant operators located between Thirty-first Street and Seventh Street.

It was learned that should the replacement center be brought here the Army will probably begin its expansion at a point about in the middle of this area and gradually extend its facilities north and south both along the beach and inland.

It was said that two of the large bay front hotels would probably be converted into hospitals.

Flamingo Park and the "million dollar pier" would be used for recreation facilities, and Bay Shore and Miami Beach municipal golf courses would be used as drill fields.

It was indicated that many restaurants and cafeterias would probably have to be taken over to feed soldiers and that warehousing facilities in Miami would have to be utilized.

After Tuesday morning's conference Defense Chairman Hanks declared:

"I am very pleased at the manner in which the Government wishes to cooperate, and as I see it the ultimate result depends largely on the attitude shown in concrete action by the owners of facilities needed in this area. Miami Beach property owners have indicated that they will respond 100 percent."

First step on the part of the local committee to aid the Army in the acquisition of needed facilities will be the immediate collection of facts and data to each building and property which would be required for use so that a fair rental for the facility might be determined.

The committee's statement said that such conditions as accrued interest, taxes, insurance, amortization costs, amount of space available, and the names of persons authorized to negotiate with the Army must be secured in writing at once.

"It was also suggested at the meeting," the statement said, "that after these facts are gathered the special committee and the Government representatives determine what the fair price would be on the applicable properties and, insofar as possible, adopt a standard price or basis for rental of facilities of similar characteristics."

The full statement, issued with the approval of the Army officials and the special committee, was as follows:

"A joint meeting was held this morning at the Cromwell Hotel between Brig. Gen. Ralph H. Wooten and other representatives of the United States Army Air Corps and Engineering Corps and a special committee appointed at a meeting of representatives of the city of Miami Beach, the chamber of commerce and the hotel association Monday afternoon.

"John M. Duff, president of the hotel association and chairman of the special committee, said that the general stated that he was pleased with the apparent whole-hearted desire of the people of Miami Beach and this area to cooperate with the United States Army Air Corps in securing housing, messing, storage, garage and other facilities which would be required to carry out the proposed plans here.

"He also stated that he was pleased that the city of Miami Beach, the chamber of commerce and the hotel association have offered to assume a definite responsibility in connection with securing these facilities.

"He suggested that the special committee immediately assume its duties as an active committee and, in coordination with the Government's representatives, determine at the earliest date whether or not the required facilities as specified by the Government can be obtained in Miami Beach on a fair basis.

"The general further suggested, in coordination with the Government's representatives, that facts and data be immediately collected as to each building and property which would be required for use so that a fair rental for the facility could be determined.

"It was decided at the meeting that a call be immediately made to the owners of the hotels and apartments and owners of messing, storage and garage facilities to submit to the committee at its headquarters in an office at the Cromwell hotel facts as to their properties as follows:

"Name of hotel, apartment, or other facility; street address; name of owner or person authorized to negotiate; number of rooms; number of beds now in hotel; amount of square feet in each separate room, exclusive of bath and closets; amount of square feet of public space; whether a kitchen is available and the size of it; seating capacity of dining room under hotel operation; fixed charges, such as accrued interest, taxes, insurance, annual amortization or mortgages and annual ground rent if any, and notes on any special facility available.

"It was also suggested that after such has been determined that the committee and the representatives of the Government confer with the owners or representatives of the facilities required by the Government and endeavor to secure an option for such facilities at the agreed fair price.

"General Wooten further suggested to the committee that the results of these negotiations should be submitted to him as rapidly as possible by the committee so that definite information can be sent to Washington upon which the War Department can determine whether or not the required facilities can be made available here at a fair price and determine if they should move ahead in this area with the original plans of not only establishing the officer candidate school but also the Army Air Corps replacement and training center.

"Duff further stated that the general impressed the joint committee with the necessity of immediate action on the part of the owners and representatives of the required facilities so that a decision can be made within the next few days.

"Duff stated that the committee agreed to the general's suggestion; that the committee has set up its temporary headquarters in an office in the Cromwell hotel and that the owners of required facilities mentioned above between Seventh Street and Thirty-first Street should submit in writing within the next 24 hours the desired facts and data to the committee at its headquarters.

"Duff also stated that, if these owners wish forms to use in supplying facts and data they may secure them by calling at committee headquarters. He urged prompt action on the part of the owners because as he said, the final decision of the Government is going to be based upon the manner in which these property owners respond to the Government's needs."

[From the Miami Daily News, March 24, 1942]

GHASTLY LESSON

Due to the prompt reaction of public opinion and the charitable patience of the United States Army, it looks at this writing as if the 35,000-man replacement center may be salvaged for Miami Beach.

Public opinion rallied hastily and thunderously against the management of five or six Miami Beach hotels which had tried to back down on rental terms originally agreed upon with the Army. As a result, the five or six hotel men backed down on the backing down, swung back into line, and made possible a united cooperative front at a special meeting last night of 175 operators in the area. Although General Wooten has, at this writing, not yet promised a resumption of the project, there are grounds for hope that he will not now carry out his threat to drop Miami Beach and negotiate with St. Petersburg.

If it works out this way, General Wooten and his subordinates will have displayed a generosity and understanding which augurs well for democratic relationships between the Army and the people. And the community itself can be proud of the unanimous way in which it sprang to the support of right and ganged up on the tiny minority of self-seekers.

But even if everything works out for the best, let us not have any illusion that no damage has been done by this incident. The wire services have carried the original story to the ends of the country, and Miami will be pictured in a repulsive light to millions of people who have no patience with wartime chiselers. Since good news never catches up with bad news, millions of these people will never see the follow-up stories and will never learn that the bad faith of five or six individuals was completely and indignantly repudiated by the whole community.

Is it too much to hope that every citizen of Dade County will take this ghastly experience as a lesson for the future?

[From the Miami Daily News, March 24, 1942]

WHO ARE THEY?

Without naming names, the Army has charged five or six Miami Beach hotels with blocking the establishment of a vast replacement center, involving upward of 35,000 men.

This is a matter of tremendous importance to the people of Greater Miami. It is not too much to say that their economic future depends on it.

It is a situation that every civic-minded and patriotic American resents.

The entire community has been placed in a bad light by the action of five or six hotel men.

Who are they?

The public is entitled to know their names.

The Army officials know the names. They will be doing a public service if they reveal them. Then the stigma will not rest upon the 200 hotels which have cooperated fully in the program. Nor will the selfishness of a handful of individuals blight the reputation of a whole community.

Let Miami and the Nation know who these "gouging few" are and let the results be a lesson for others who may be inclined to permit their selfishness and greed to get the better of them.

[From the Miami Daily News, March 24, 1942]

PUNISH THE GUILTY!

MARCH 24, 1942.

SECRETARY OF WAR,

War Department, Washington, D. C.

If any hotels in Miami Beach have hiked their rates for housing our soldiers after agreeing on a lower rate, the Lunnum Park Hotel Association, composed of leading hotels on Ocean Drive from Fifth to Fifteenth Streets, urges the Government to take drastic steps and expose such guilty culprits and vindicate the innocent members of the hotel industry.

None of our members have quoted rates to Government officials and have not been approached by such Army men.

We invite Uncle Sam to negotiate with us and offer our fullest cooperation feeling certain that the Government will be 100 percent fair with us.

Our association feels nothing is more paramount at this critical time than housing our boys with the best living facilities and with expediency.

The following leading hotels are members of our organization: Beacon Hotel, Bon Air Hotel, Tides Hotel, Carlyle Hotel, Crescent Hotel, Victor Hotel, Edge-

water Beach Hotel, Majestic Hotel, Betsy Ross Hotel, Winterhaven Hotel, Milburn Hotel, Clyde Hotel, Cleveland Hotel, Shoreham Hotel, Colony Hotel, Norman Hotel, Cardozo Hotel, Barbizon Hotel, Edsinger Hotel, Waldorf Towers Hotel, McAlpin Hotel, Avalon Hotel, Edison Hotel, Netherlands Hotel.

THE LUMMUS PARK HOTEL ASSOCIATION,
NAT EHRLICH, *President*,
SYD BURROWS, *Secretary*,
MARVIN FREEDMAN, *Vice President*.
HENRY STUPELL, *Treasurer*.

This wire was sent to the Secretary of War yesterday.

[From the Miami Beach Daily Tropics, Wednesday, March 25, 1942]

DATA IS COMPILED FOR HUGE TRAINING EXPANSION HERE

Owners of hotels, apartments, restaurants, garages, warehouses, stores, and virtually every other building that might be converted to military use streamed into the Cromwell Hotel today to offer their properties to the Army Air Forces for the establishment of a vast replacement and training center in Miami Beach.

It was the city's answer to previous reports that a small group of hotels had blocked the Air Force expansion here by attempting to increase their price demands for key hotels wanted for the replacement center.

Under the direction of a special committee of hotel men, bankers, and city officials named to cooperate officially with the Air Force officers in attempting to get the War Department to reverse its decision to abandon its plans here, 200 questionnaires were distributed by a detail of 10 uniformed city policemen late yesterday afternoon to every building owner between Seventh Street and Thirty-first Street, with the exception of private residences.

These forms requested complete and detailed information concerning the various buildings, as to size, type, age, value, and similar facts to be filled out and returned to the committee headquarters in the Cromwell Hotel. Here the committee classified the various structures by neighborhoods and as soon as all have been classified they will be turned over to the Air Force officers. With this definite information as to the complete facilities available here, the officers will submit their report to Washington for a final decision as to whether the Air Force will stay here or seek another location.

By noon today, John M. Duff, Jr., chairman of the special committee, said at least half the 100 questionnaires already had been filled out and returned to the committee, and he expressed confidence the remainder would be received by tomorrow.

"We started receiving our forms back even last night," Duff said, "so eager has been the response to our pleas for full cooperation with the Army here. We feel confident the misunderstandings have been eradicated and that with continued whole-hearted cooperation of everyone concerned, the War Department will see fit to reconsider its action and decide to proceed with its plans for this area."

While no one would discuss the matter officially, it was understood the Air Force officers here under command of Brig. Gen. Ralph H. Wooten would be ready to submit their reports to Washington by Friday or Saturday at the latest.

Baron de Hirsch Meyer, city councilman, banker, and hotel owner, is chairman of the subcommittee in charge of receiving and classifying the questionnaires, with Mayor Val C. Cleary and Frank Smathers, Jr., an executive of the Miami Beach First National Bank, also on this committee.

Duff, president of the hotel association and chairman of the general committee, also heads the subcommittee for fixing rate schedules as the basis for possible negotiations with the Army. On this committee also are Ed Keefer, realty appraiser, and Al Stone, owner of the Blackstone Hotel.

Other members of the general committee are Marcie Leiberman, an officer of the Mercantile National Bank; Peter Miller, hotel owner; Gus Geiger, architect; and Bryan Hanks, chairman of the county defense council.

The committee planned to meet this afternoon or tomorrow with Hunter Johnson, State hotel commissioner, who has arrived here to offer the services of the State in working out a plan to keep the Air Force here. Johnson said Gov. Spessard L. Holland had expressed a keen interest in the situation and wanted to be kept fully advised of developments.

Meanwhile, it was understood negotiations have remained at a standstill regarding additional facilities for the expansion of the Air Force Officer Candidate School here. However, there were reports that preliminary steps had been taken to acquire several additional hotels for the school and also that steps have been made toward leasing the Bayshore Golf Club as additional space for drill grounds and to use the golf club building as an officers' quarters.

If the Army decides to resume its plans for this area, it is believed eventually that property north of Thirty-first Street also may be sought for additional facilities.

[From the Miami Herald, Wednesday, March 25, 1942]

HOLLAND TAKES HAND IN AIR CENTER DEAL—HUNTER JOHNSON, FLORIDA HOTEL COMMISSIONER, HERE FOR PROBE

That Gov. Spessard L. Holland is taking an active interest in negotiations between Miami Beach hotel men and the Army looking toward establishment of an Army center here was revealed Wednesday by State Hotel Commissioner Hunter Johnson.

Johnson reported he came to Miami Tuesday at the Governor's request to investigate the situation and with orders to report his findings to the State's chief executive. The Army threatened to halt its negotiations because of the attitude of "five or six" hotel owners.

PEPPER OFFERS AID

At the same time Senator Claude Pepper offered his services in a telegram to Bryan Hanks, chairman of the Dade County Defense Council.

Both Johnson and Hanks were to report Wednesday afternoon that the outlook now is favorable. Cooperation has been pledged by all beach hotels, they reported, and negotiations are advancing with the War Department.

The Army Establishment was to have been a training and replacement center for the Air Corps.

Johnson said he had the names of hotel operators whose failure to cooperate caused the Army to halt negotiations Monday, but he refused to release the names for publication without approval of the entire committee which has been hard at work for 2 days seeking a solution to the problem.

CHANCE TO EXPLAIN

He said that, in the event the names of the hotels are published, they should be accompanied by a complete statement from the owners setting forth the hotels' side of the question and particularly any financial difficulties which might have made cooperation with the Government impossible.

All persons concerned, Army officials, Hanks, committee members, and Johnson agreed Wednesday that, in view of the complete cooperation now evidenced by all beach hotels, the Government's needs could be supplied immediately.

Of the 200 questionnaires which police officers delivered to beach hotel owners Tuesday night, more than 100 had been returned by noon Wednesday.

"Everyone appears to be cooperating fully," John Duff, chairman of the committee, said. "The only complaints we have had were from some hotel owners who said they had not received questionnaires and made special trips to committee headquarters to get them."

This was part of the picture which Defense Chairman Hanks painted for Senator Pepper in his telegram of Wednesday morning.

DATA STUDY PLANNED

Committee members expect to study the questionnaires Wednesday afternoon and Thursday and plan to give the War Department a definite, written picture of cooperation here no later than Friday. It was believed that War Department officials would await this report before taking any action to set up the replacement center elsewhere.

Johnson told reporters that it is only in the last few months that Washington officials have come to realize that Florida's mild climate and extensive housing facilities are the answer to many problems of hospitalization and training.

He said that the Surgeon General now has a list of every piece of property that would be available for recuperation hospitals and is expected to support, in the near future, plans for the establishment of such hospitals at various points in the State.

"They say now that there is no doubt about Florida's value to the defense program and that they can use our facilities," Johnson declared.

Meanwhile, owners of hotels and apartments in Miami's Dallas Park section were following a similar procedure after rumors that a part of the Air Corps activity here might be centered in that area, gained credence.

It was reported that the Air Corps is contemplating taking over hotel and apartment accommodations for some 3,000 men in that area and using the Royal Palm Club for a mess hall and the site of the old Royal Palm Hotel as a drill field.

[From the Miami Herald, Wednesday, March 25, 1942]

NAMES OF HOTELS IN ARMY "HOLD UP" ATTEMPT SOUGHT

Members of the Lummus Park Hotel Association Tuesday sent a telegram to the Secretary of War demanding revelation of the names of five or six Miami Beach hotels which have been charged with attempting to "hold up" the Army in its plans to establish an Air Corps reception center here.

The association pointed out that its members had not been in contact with the Army officials and promised full cooperation in case expansion into the Lummus Park area should be contemplated.

[From the Miami Herald, Wednesday, March 25, 1942]

MAY TAKE 200 BEACH HOTELS—ARMY QUESTIONS OWNERS FROM SEVENTH TO THIRTY-FIRST STREETS—DALLAS PARK OFFERED

(By Stephen Trumbull, Herald staff writer)

Point-blank questions as to whether their establishments are available for early Army occupancy were submitted to some 200 Miami Beach hotel owners late Tuesday.

And their answers—answers expected within the next 24 hours—will determine whether the resort city will be the scene of one of the greatest troop concentrations on the eastern seaboard or whether it will be a "war orphan."

The questionnaires were delivered to the owners of every hotel between Seventh and Thirty-first Streets and between the ocean and the bay by Miami Beach police motorcycles and squad cars after another day of frenzied activities and conferences as Miami Beach sought further to convince the Army that the attitude of "five or six" noncooperative hotel owners is not the attitude of the community.

GENERAL SPURS COMMITTEEMEN

Committeemen behind the move representing the Miami Beach Hotel Association, the city financial interests, and the Dade County Defense Council were spurred in the activities by Brig. Gen. Ralph H. Wooten. The general, who only some 24 hours before had confirmed salient points of a story in the Herald revealing that the Army was abandoning this area as a scene for further expansion because of the attitude of "five or six" hotel owners balking the Army's program, revived the committee's hopes at a Tuesday morning breakfast meeting at the Cromwell Hotel.

Presented with a resolution of unanimous support adopted by the hotel men Monday afternoon at a special meeting called after appearance of the Herald story, the general authorized issuance of a statement, the highlight of which was:

"Although the general could not guarantee that the War Department would reconsider its order stopping negotiations (at Miami Beach), he believes such concrete offers (as the answer to the questionnaires sent the hotel men) will be very helpful in causing the War Department to give very serious consideration toward doing so."

TALKS WITH WASHINGTON

The statement was issued only after the general had left the breakfast meeting and spent some 15 minutes on the telephone. It was reported that his call was to his superior officers in Washington.

The revived hope at Miami Beach came while Miami was moving full speed ahead on still another Army development—a proposal to make available for troops the hotels in the historic old Dallas Park section. At a late hour Tuesday 16 hotel and apartment-house owners of the area had agreed to make their properties available as the Army needs them.

Magnitude of the new Miami Beach camp hinging on the outcome of the present survey was evident to beach residents for the first time as they contemplated the area of the survey. In this section from Seventh to Thirty-first there is an estimated 65 to 70 percent of the resort city's 334 hotels and 944 apartment hotels. There are more than 13,000 hotel rooms alone in that area, and the Army can quarter the men—area corps replacements men—2, 3, and, in some cases, even 4 to the room.

TEN MORE HOTELS SIGNED

Five hotels in this area have, for some time past, been under Army occupancy as part of the Air Corps Officer Candidates School—an entirely separate unit from the proposed replacement camp. Large expansions were proposed for this school, along with the replacement-camp activities, which would put another 4,500 officers on duty here, and which, when fully in operation, would see 1,000 recruits arriving daily and 1,000 assigned and classified men departing.

Ten hotels were reported as definitely signed and contracts negotiated for the expansion prior to the Army's difficulties with the "five or six" (still unnamed) which brought the threatened collapse of the entire expansion. The complete list of these 10 who had willingly met the Army's terms was not available Tuesday night, but it was reported reliably as including the huge Vanderbilt, the Peter Miller, the Jefferson, the Regent, and the Plymouth.

ASK EXPOSÉ OF "CULPRITS"

All members of the beach committee expressed high hope as the day ended that the oral stand taken at the emergency hotel men's meeting of Monday, plus the quick action in distributing the questionnaires in which those stands will be reduced to writing, will save the day and the Army replacement center for Miami Beach.

Without waiting for the arrival of the questionnaires, the hotel owners in the Lummus Park Hotel Association, representing oceanfront properties from Fifth to Fifteenth Streets, on the beach, sent the Secretary of War a telegram Tuesday pledging their unanimous cooperation, and urging the Government to expose the "guilty culprits and vindicate the innocent members of the hotel industry."

"Our association believes," the telegram concluded, "that nothing is more paramount at this critical time than housing our boys in the best living facilities and with expediency." The telegram was signed by Nat Ehrlich, president.

DALLAS PARK HOTELS OFFERED

The 16 Dallas Park property owners agreeing to the Miami plan—as yet there is no official word as to the nature of this troop concentration—met at the city hall with Mayor C. H. Reeder, City Manager A. B. Curry, and a committee of six representing the hotel and apartment house associations.

Joseph H. Adams, president of the hotel association, said the proposed Army training school would occupy the entire area bounded on the north by SE. Second Street, on the west by Miami Ave., on the east by Biscayne Bay, and on the south by the Miami River.

Within this area—site of Fort Dallas built here during the Seminole wars—are half a dozen towering hotel buildings, many exclusive apartment buildings, the old Royal Palm Hotel site, which reportedly would be used as a drill field, and the streamlined Royal Palm night club, which reportedly would be the mess hall.

DATA ASKED QUICKLY

Adams asked the property owners to fill out and turn in to the Miami Chamber of Commerce by 10 p. m. Tuesday, blanks showing how many men their buildings would accommodate and related information of value to the Army in deciding whether to close negotiations for the project.

The training school, Mayor Reeder pointed out, would be supplementary to Army activities at Miami Beach.

Not a dissenting voice was raised among the 16 property owners present at the meeting. The mayor praised their attitude and the unanimity which caused the meeting to last only 40 minutes.

Interest of the Army in the site was evidenced by the appearance of officers in the city manager's office Monday and again Tuesday. Adams, Leonard Thompson, Otto Fischer, John Shuey, C. E. McMullen, and M. F. Whelan were appointed Monday as the hotel-apartment associations' committee. They called the Tuesday meeting after a conference with Curry.

[From the Miami Herald, Thursday, March 26, 1942]

BEACH HOTELS OFFER ARMY ALL FACILITIES—125 OPERATORS AGREE TO GIVE LEASES

(By Stephen Trumbull, Herald staff writer)

Those "five or six" who had menaced plans for a new and vastly larger troop concentration at Miami Beach apparently had taken to the woods with their objections Wednesday as the hotel and civic committee there moved in high gear to give the Army what it wants and save the day.

From questionnaires sent to 200 hotels in the area wanted by the Army Air Corps for a huge replacement center—Seventh Street to Twenty-first Street, and from the ocean to the bay—more than 125 had been returned to the committee Wednesday night, 24 hours after they had been sent.

READY TO LEASE

And on each one the question, "Will you lease your property to the Army?" was answered with the word "Yes." On scores of them the figures requested for such a lease for the duration was followed by, "or whatever sum the Army believes fair and reasonable."

There was no more talk of the "five or six" blamed by the Army when, at 11 a. m. Monday, Brig. Gen. Ralph H. Wooten confirmed a story in the Herald that all negotiations by the Army for further expansion here were called off. The beach committee has been in action since the news became official and the Army, while not officially reopening negotiations, is remaining on the scene and standing by to see the results of this united onslaught.

Extent of the interest aroused by the fight to save the plan which will bring thousands of enlisted men and officers here was shown during the day when Hunter Johnson, State hotel commissioner, joined the committee meetings at the Cromwell Hotel as an observer for Gov. Spessard L. Holland.

He conferred early in the day with Bryan Hanks, chairman of the Dade County Defense Council and a member of the beach committee fighting to save the plan. Hanks later telephoned the Governor and gave him a complete explanation of all moves to date. Previously Hanks had wired Senator Claude Pepper, who had expressed concern over the situation, and assured the committee of all possible help in the Nation's Capital.

PLAN RECREATION

While the male conferees were bending over the arriving answers to the questionnaires, the women of Miami Beach were meeting at a breakfast in the same hotel and completing plans for a new recreation center for the soldiers already on the scene at the Air Corps Officers' Candidates School, and the additional thousands still expected to come here.

Mrs. Russell Pancoast, president, and Mrs. Claude Renshaw, vice president of a group now transforming the old Miami Beach pier into this recreation center, brought together some 200 women and a liberal sprinkling of male civic leaders for the meeting.

Hanks, taking time out from the hotel men's committee activities, addressed this meeting with words of praise for the work already done in preparing a place for bathing, dancing, and other off-hour activities of the servicemen.

Mrs. Pancoast announced the creation of a "working board of women" who have pledged their time in opening and operating the place and arranging parties for the soldiers there, and an advisory committee of men. The pier activities will be coordinated with the work of the U. S. O. through the recreation committee of the defense council. The revamped pier will be for the use of all enlisted men on the beach and for soldiers, sailors, marines, and Coast Guard men from all other stations in the area as well.

AWAIT COMPLETE FILE

The hotel men expect to have the remainder of their answers in today. From this they will present the Army authorities with their complete files, including maps of the desired section showing all of the hotels available. While the Army has set no "deadline," there was talk around the committee room that the situation could be "held status quo at least until Friday."

City Manager A. B. Curry refused to comment further on a meeting of the day before which found 16 hotel and apartment owners of the historic Dallas Park area pledging the use of their properties if the Army wants them. Belief this projected expansion is connected directly with the expansion considered for Miami Beach was strengthened by the fact Curry conferred on the matter with General Wooten, an Air Corps officer and who, if the beach plan is saved, will command both the officer candidate school and the replacement center there.

[From the Miami Daily News, Thursday, March 26, 1942]

ARMY EXPECTED TO DECIDE ON AIR POST TODAY—BEACH PREPARED TO PRESENT DATA ON HOUSING FACILITIES

Previous pledges of patriotism and promises of cooperation on the part of Miami Beach hotel men will be reduced to cold, hard facts and figures Thursday when the special civilian committee, now fighting to have a United States Army Air Corps replacement and training center set up on Miami Beach, conveys to Army officials the results of more than 150 questionnaires signed by hotel owners.

The second question on all these questionnaires is, "Are you willing to turn your property over to the Army?" Thus far no hotel owner has answered this in the negative. In addition, the committee will be able to show the Army exactly how much space is available for housing men and supply definite commitments on other facilities needed if the Air Corps center is to be established here.

Having once received this information in concrete form, local Army officials are expected to convey it to their superiors in the War Department immediately.

John Duff, chairman of the civilian committee, said he hopes to have the War Department's definite answer on whether or not the Air Corps project will be located on Miami Beach by Thursday afternoon.

By Thursday morning the committee had received almost 100 percent of the questionnaires sent out to 200 hotels between Thirty-first Street and Seventh Street, less than 36 hours earlier, when it began to appear that the Army would abandon completely all plans for the establishment of the Air Corps center here.

In a few instances hotel owners were out of the city, but most of these are expected back by noon Thursday and to have returned their questionnaires.

Wednesday afternoon Bryan Hanks, Dade County defense chairman, telephoned Gov. Spessard Holland to report that the picture, once dark, is now most optimistic from the beach point of view.

"Army officials," he said, "appear highly pleased with the cooperative attitude on the part of the mass of hotel owners," and it is expected that Brig. Gen. Ralph H. Wooten will recommend immediate leasing of the hotels needed to house the vanguard of the Air Corps Forces.

[From the Miami Herald, Friday, March 27, 1942]

ARMY EXTENDS BEACH SURVEY—OFFICIAL APPROVAL FOR TROOP CONCENTRATION BELIEVED NEAR—COMMITTEE IS HAPPY—EIGHTY-FIVE PERCENT OF HOTELS, NINETY PERCENT OF RESTAURANTS CONSIDERED

(By Stephen Trumbull, Herald staff writer)

Only the official green light was believed Thursday to be standing in the way of a new Air Corps troop concentration at Miami Beach of even greater proportions than all previous indications.

Belief official formality was perhaps only a matter of hours away grew as the hotel and civic committee conferred with Brig. Gen. Ralph H. Wooten, and then rushed to extend their survey of facilities available for immediate Army use to cover every hotel and restaurant from Forty-fourth Street south.

Previously the survey had covered the area from Seventh to Thirty-first Streets, and from the Ocean to the bay, an estimated 65 percent of the 326 hotels of the resort city. The expanded area in which the Army now shows interest—still unofficial—is an estimated 85 percent of the hotels, and 90 percent of the restaurants.

COMMITTEE HAPPY

It was a weary but smiling committee which pushed into the enlarged task which they believe will save the community from becoming a "war orphan." John Duff, president of the Miami Beach Hotel Association, has been attending the sessions at his Cromwell Hotel in a wheel chair, with a broken leg in a cast, since the committee's formation Monday. Bryan Hanks, chairman of the Dade County Defense Council, has been in and out of the meetings at least twice daily, fitting in as best he can a long list of other duties.

Mayor Val Cleary and Baron de Hirsch Meyer, city councilman, virtually have abandoned the city hall in favor of the conference room until the present question is settled. Al Stone, manager of the Blackstone, and the other committee members also have left their personal affairs marking time.

QUESTIONNAIRES RETURNED

Duff announced late Thursday that from the 200 questionnaires sent to as many hotel owners late Tuesday, all but a few had been returned and each had filled in the word "Yes" behind the question, "Is your hotel available for lease by the Army?"

Committee members had been in touch with the owners of the few hotels from which answers have not been received. In most of these cases the delay was said to be occasioned because owners are out of the city, or information for some of the questions has not yet been obtained. With some of the older hotels it has been necessary for present owners to go to the city hall to get the construction specifications.

Committee members said the restaurant survey does not mean the Army contemplates taking over all of the establishments contacted. The interest is only in those of a size sufficient for Army mess halls, and located sufficiently near contemplated troop concentrations.

ADJUST MORTGAGES

The committee even has extended its activities to include several adjustments on mortgages whereby the encumbered hotel owners can cut down payments on principal during the terms of the Army lease. Heavy financial obligations of this nature are now said to have caused some of the owner-Army disagreements which, until the committee went into action Monday, threatened loss of the entire project by this area.

Even before the survey was ordered extended, many hotel owners called the committee with promises of cooperation. I. A. Drillick, manager of the Corsair Hotel at First Street and the ocean, wrote Army authorities that he had been authorized to extend the pledge of cooperation for his own establishment as well as for several other hotels with a total of some 600 rooms in his neighborhood.

[From the Miami Beach Daily Tropics, ———, 1942]

EXPAND AIR FORCES—20 MORE BLOCKS IN MIAMI BEACH ADDED TO PLAN

Every hotel and restaurant in Miami Beach between Government cut and the Firestone estate at Forty-fourth Street was included today in an expanded survey of possible facilities here for an Army Air Force replacement and training center.

John M. Duff, Jr., chairman of the special committee appointed this week to work with Air Force representatives, announced the expansion of the survey after Brig. Gen. Ralph H. Wooten, chief of the Air Forces in this area, conferred with the committee at the Cromwell Hotel this morning.

Although the War Department has not yet announced a decision to proceed with plans for the replacement and training center here, the announcement of the expanded survey was taken as an indication that the Air Forces are anticipating favorable action by the authorities in Washington. It was said an official statement of the War Department's plans might be expected tomorrow or Saturday.

Duff, as chairman of the special committee, said the outlook continued "most encouraging," and he added the response to the first appeal for listing available properties for the Air Forces had been "virtually 100 percent."

In announcing the expanded survey, Duff requested the owner of every hotel and restaurant between Government cut and Seventh Street, and between Thirty-first Street and the Firestone estate, between the ocean and bay, to communicate with the committee at once at its headquarters in the Cromwell Hotel to list their property for consideration by the Army officials.

The properties between Seventh Street and Thirty-first Street were included in the first survey undertaken Tuesday.

Duff said the only persons who had failed to respond to the first survey were owners who were out of the city and whose questionnaires had to be mailed to them.

The expanded survey covering the entire city south of Forty-fourth Street means that about 85 to 90 percent of all the hotels and restaurants in Miami Beach are to be included in the Army's consideration of plans if it is decided to proceed with the installations here.

City Manager Claude A. Renshaw, who attended the meeting of the committee this morning, issued orders immediately to the police department to detail squad cars to begin work this afternoon distributing the questionnaires to all hotel and restaurant owners affected by the survey.

These questionnaires all should be distributed by late tonight, and Chairman Duff urged the owners to act immediately in filling them out and returning them to headquarters at the hotel. "Speed is most essential if we are to be able to prevail upon the War Department to proceed with its plans here," Duff explained.

Any hotel or restaurant owner who might be overlooked in the distribution of questionnaires is requested to go to headquarters and fill out one of the blanks.

Lt. Richard Talley, representing the Chief of Staff of the Air Forces in Washington, who has been participating in the negotiations here, left unexpectedly today after the conference this morning. He said he was not in a position to say where he was going or the nature of his trip, but it was seen possible that he might be flying to Washington to lay the results of the present survey before the Army chiefs at the Capital to assist them in their decisions.

Hunter Johnson, State hotel commissioner and representative of Gov. Spessard L. Holland, conferred with the special committee this morning after its conference with General Wooten.

While none of the conferees would discuss this meeting except to say that it covered the "general situation," it is understood the meeting was designed to consider methods of combating any unfavorable reactions that might result from the disruption of negotiations of the Army earlier this week.

Attending these conferences were Mayor Val C. Cleary, Renshaw, City Councilmen Mitchell Wolfson, Baron de Hirsch Meyer, and William Burbridge, and Committeemen Alfred Stone, Duff, Ed Keefer, and August Geiger.

The committee will remain in action until the War Department makes its decision, and if this is favorable the committee then will participate in the direct negotiations with the owners of the various properties which are desired by the Air Forces for their facilities here.

The committee has been empowered to determine fair rates for the numerous properties, but the actual signing of leases and contracts will, of course, be done by the Army officials and the property owners.

[From the Miami Beach Daily Tropics, Saturday, May 8, 1943]

HOTEL FURNITURE "IN BETTER SHAPE THAN EVER"—ARMY KEEPS ALL FIXINGS IN REPAIR

Soldiers of the Army Air Forces Technical Training Command at Miami Beach are not hard on furniture in the Government-leased hotels.

On the contrary, wear and tear is considerably less than in peacetime when civilians occupied the buildings, according to Raoul J. Gordon, foreman of the carpet and furniture repair shop of the post engineer's section.

"Generally speaking, the furniture is in as good or better shape than when the Army took over," says Gordon, who is responsible for condition and repair of the equipment in the hundreds of hotel barracks on the beach.

"I have yet to see an instance of malicious abuse of furniture by soldiers," he declares.

Two factors are responsible for the preservation of the furniture, Gordon believes. One is the care required of each soldier to keep his room spotless and in order at all times. The second is military bearing acquired by a soldier.

"The untrained civilian," he says, "usually drops into a chair when he sits and then drags himself from the chair when he rises. The soldier sits down and rises straightly."

CLIMATE WORST ENEMY

Florida climate, says Gordon, is far more destructive to furniture than soldiers are. A large part of the repair shop's work is rebuilding chairs and other pieces that are loose in the joints through ravages of salt air and warm weather.

Repaired by the post engineer's workmen, the articles are sturdier than when new, since the waterproof glue utilized holds the furniture intact indefinitely.

The shop crew of eight men is a small one, but this labor saving is effected by standardized operations and a policy of making repairs for practicability rather than appearance. If the arms of a chair are worn, they alone, rather than the entire piece, are reupholstered.

Since the shop was opened 8 months ago about 2,000 yards of durable brown frieze has been used for coverings. Seasoned wood goes into frame repairs, and many frame units are made right in the shop with equipment salvaged from a mill recently taken over by the post engineer.

NOT "SELF-SUPPORTING"

An average week's work numbers 85 jobs, Gordon said. Some 3,500 pieces have been turned out since the shop started operation, which is a negligible percentage of the quantity in use. Each of the hundreds of hotels averages about 500 pieces, exclusive of beds. This equipment can be kept in perfectly usable condition for the duration, says the shop foreman, without difficulty.

The furniture repair plant started out with two screw drivers, a saw, and a plane as its sole equipment. By careful accumulation of salvaged and non-strategic materials the shop became reasonably well equipped to handle any job which is brought in. Besides furniture, truck seats are reupholstered with imitation leather and waterproof tops of the vehicles are renewed.

At the outset it was humorously remarked that the shop might become self-supporting from objects found inside the upholstered pieces when they were stripped down. However, after 8 months the balance sheet showed a total retrieved from under the cushions of 16 cents, plus a miscellaneous collection of combs and postal cards.

EXHIBIT No. 974

[From the Miami Daily News October 20, 1942]

HOUSE REPORT PRAISES BEACH ARMY ECONOMY—COSTS FAR BELOW OTHER UNITED STATES CAMPS, REPORT REVEALS—MAINTENANCE FIGURE HERE FIXED AT \$20 PER MAN PER MONTH

Miami Beach in particular, Florida in general, and the United States Army came in for citations of commendation in a report of the House Military Affairs Committee on the Army's leasing of hotels for military training. The report was released in Washington by the committee Tuesday.

The committee lauded the leasing and training program, and in a wide and exhaustive report listed the following salient points among its findings:

1. That the program permits military housing and training at an average cost per man considerably below that spent by the War Department for the construction of camps and cantonments.

2. That the leasing of hotels, restaurants, warehouses, theaters, golf courses, and other facilities has been carried out at a minimum cost.

3. That the training program is proceeding with high efficiency.

4. That no evidence of high and excessive fees or commissions to intermediaries to promote the program had been found.

5. That the monthly housing cost averages about \$20 per man in the Greater Miami area, this figure being based on a total allocation of \$4,000,000 a year.

6. Disclosed that 8,425 men have been graduated from the officer training school; 5,700 from the officer candidate school, and that 75,900 have received basic training, and that there were more than 31,000 in training at present.

Interesting was the finding that while the total annual rental figure for the 147 hotels and other facilities (golf course, theaters, restaurants) under lease is \$3,393,821.75, the total appraised valuation hits the staggering sum of \$32,191,210.

The efficiency of the Army's program here clearly was silhouetted against the per man housing cost in camps and cantonments when it was pointed out that the average cost per man under the cost-plus-a-fixed-fee contracts (camps and cantonments) was \$684.94. The highest individual camp on this basis is Camp Polk, Leesville, La., where the cost ran to \$1,263.11 per man.

This against the \$20 per man figure for Miami Beach.

The preliminary report on the set-up in general shows the estimate of \$4,000,000 annually for items classified under utilities allocated as follows:

Electricity-----	\$375, 000
Water-----	750, 000
Heat-----	125, 000
Maintenance, repair, alterations, personnel-----	2, 750, 000

And the committee reported it believed this estimate can and will be reduced to a considerable degree.

The committee brought to light for the first time the number of men who have been trained on Miami Beach so far. The report said 8,425 men have been graduated from the officer training school, 5,700 from the officer candidate school, and that 75,900 have been given basic training. "It would appear," the report said, "that no time or effort has been lost in successfully developing and conducting this training center."

The report high-lighted the committee's findings relative to the straightforward, economical, and honest manner in which the program had been carried out. "As very frequently occurs," the report said, "when an operation of such magnitude is involved, humors were prevalent to the effect inordinate fees, commissions, etc., had been intermediaries to promote the leasing of these hotels. A thorough investigation as to whether any foundation existed for the dissemination of such reports was conducted in Miami at the direction of the committee chairman (Senator Andrew J. May, Democratic, Kentucky). No evidence whatever has been found to substantiate those rumors. At the request of the committee's representative, attorneys for the majority of the property owners have certified that, to the best of their knowledge and belief, no such transactions occurred."

As exhibits A and B to back these findings, the committee included letters from the Miami Beach law firm of Meyer, Davis & Weiss and from Henry D. Williams, of Miami, written to the Military Affairs Committee at the request of H. Ralph Burton, general counsel for the committee.

Attorney Williams said he believed the interests of the United States in the making of the leases were handled expeditiously and efficiently, both by the Army personnel involved and the civilian defense council committees which worked in conjunction with the Army.

Meyer Davis and Weiss echoed Williams' statements.

Further justifying the program, the committee found the outlay of only \$4,000,000 a year would serve to house a great many men for a number of years, and that furthermore, past experiences have shown that cantonments virtually are valueless after a war.

Listed as comprising the Beach set-up was the officer training school, the officer candidate school, headquarters department, basic training center, Embry-Riddle School of Aviation, the depot overhaul school and inspection and maintenance school, and the Fourth Service Command school for bakers and cooks.

The committee found the savings effected by the War Department in the outlay for leases to average 24 percent less than the amounts paid for annual rentals by commercial interests for corresponding hotels. For example, the report disclosed that in a group of 27 hotels, the annual rentals paid for 25 of them ranged from 5 to 37 percent less than the amounts of leases for commercial use. An example was one hotel which formerly went for an annual rental of \$17,625 which the Army got for \$11,250.

Two men who played important roles in the leasing program, who served as liaisons between the Army and the hotel owners, Alfred Stone, president of the Miami Beach Hotel Association, and John Duff, immediate past president, expressed themselves as being "very pleased at the committee's report." Stone and Duff currently are in Washington, seeking to have the Army expedite the acquisition of more hotels and facilities, so that hotel owners not yet included in the program will know where they stand as regards the coming winter season.

Although no definite figure was given as to the strength of the personnel now stationed on Miami Beach, the report said more than 31,000 men were on hand at present, and listed 147 hotels under lease, two golf courses, three theaters, a number of restaurants, warehouses, and vacant lots.

[From the Miami Daily News, October 20, 1942]

SOLONS PRAISE MIAMI HOTELS—COSTS FOUND UNDER CAMP EXPENSES; HOUSING PLAN AID TO EFFICIENCY

By The Associated Press

WASHINGTON, Oct. 20.—A House Military Affairs subcommittee reported Tuesday it had found no evidence that the Army had paid excessive fees or commissions to intermediaries to promote the leasing of hotels valued at more than \$32,000,000 in the Miami, Fla., area for training purposes.

An investigation was made by a special committee headed by Representative Charles I. Faddis, Pennsylvania (Democrat), in conjunction with an inquiry into other phases of the war program.

The committee reported it had found:

The leasing of hotels and other facilities for aviation trainees in the Miami area has been carried out at a cost much less than comparable rentals on a commercial basis.

UNDER CAMP COSTS

That the program permits military housing at an average cost per man considerably below that spent by the War Department for the construction of camps and cantonments.

The leasing of hotels, restaurants, warehouses, golf courses, theaters, and other facilities in Florida has been conducted at minimum cost, while the training program is proceeding with high efficiency.

As of August 1, 1942, the committee said, the Army had leased 147 hotels in the Miami area to house trainees, 4 for headquarters, 2 for hospitals, and 2 for clinics.

The aggregate annual rental rate of all facilities under lease was \$3,393,821.75. The total appraised value of the leased facilities is \$32,191,210, except those municipally owned.

TRACES RUMORS

"As so frequently occurs when an operation of such magnitude is involved," the committee reported, "rumors were prevalent to the effect that inordinate fees, commissions, etc., had been paid intermediaries.

"A thorough investigation as to whether any foundations existed for the dissemination of such reports was conducted in Miami at the direction of the committee chairman, Representative Andrew May, Kentucky (Democrat).

"No evidence whatever has been found to substantiate these rumors."

In one group of 27 hotels the annual rentals paid by the War Department for 25 ranged from 5 percent to 37 percent less than the amounts of leases for commercial uses, the committee said.

On two hotels on which higher rentals are paid, it was noted that the commercial leases were for 10 years, while the War Department leases are for the duration of the war with a 30-day cancelation clause.

In a survey to determine the cost of building camps and cantonments, the committee said it had found the average cost under a cost-plus-a-fixed-fee contract to be \$684.94 per man.

"With the monthly housing cost averaging about \$20 a man in the Miami area, based upon a total allocation of \$4,000,000 a year, including \$2,735,928 for annual rentals of 147 hotels, the efficacy of the War Department's new housing program is clearly established," the report added.

"In further justification of the program, the outlay of \$4,000,000 a year would house a great many men for a number of years. Furthermore, past experiences have shown that cantonments are virtually valueless after a war."

Thus far 8,425 men have been graduated from the officer training school in the Miami area, 5,700 graduates of the officer candidate school have been trained and 75,900 men have been given basic training.

In its analysis of the appraisal of the leased properties, the committee said:

"Examination of a few files disclosed that the appraised value of the acquired property was usually higher than the assessed value fixed for taxation purposes, but it is established beyond question that a general practice is to list property for taxation purposes at less than its fair market value."

EXHIBIT No. 975

[From the Miami Daily News, Tuesday, March 24, 1942]

BEACH RENEWS AIR BASE BID IN PARLEY TODAY WITH ARMY

HOTEL OWNERS, DEFENSE HEADS ANNOUNCE MOVE—GOUGHING EFFORT BY SELFISH FEW ROUNDLY ASSAILED

After conferring 1 hour and 45 minutes with the special committee appointed by John Duff, president of the hotel association, Brig. Gen. Ralph H. Wooten, contracting officer, Lt. Richard Talley, and other Army representatives at the conference left the meeting and went into a private session.

(By George Goodwin)

The emergency committee of the Dade Defense Council and the Miami Beach Hotel Association met with Army officials at 9 a. m. Tuesday to press its fight to reopen negotiations for the location of an Air Corps reception center on the beach.

This was the second session the committee and the Army have held since the committee was appointed in the climax of a mass meeting of some 175 hotel men Monday afternoon after it became known that a handful of hotel owners by holding out for higher prices had caused Army officials to drop plans for taking over more hotels to house many thousands of soldiers.

Committee members are John Duff, president of the hotel association; Mayor Val C. Cleary, of Miami Beach; Councilman Baron de Hirsch Meyer; Bryan Hanks, Dade County defense chairman; Al Stone, owner of the Blackstone Hotel, and E. D. Keefer, director of the Miami Beach Chamber of Commerce and a prominent real estate appraiser.

THINGS LOOK BRIGHTER

Following their meeting late Monday with Lt. Richard Talley, contracting officer, who has been in charge of securing the Miami Beach leases, committee members said that things "looked much better" for the reopening of negotiations and the establishment of the reception center here.

Monday afternoon's mass meeting was marked by charges from both Hanks and Bruno Weil, owner of the Belmar Hotel, that a few hotel men had failed to keep faith with the Army after promising to accept Army propositions.

Weil declared that the five or six offending hotels had used the Army as a last straw and had hoped to be able to ride out of the mire of financial difficulties on the Government's coat tails.

"They are individuals who in the next 6 months will drown anyway," Weil said. "They hoped Government money would save them."

At the conclusion of Weil's statement all persons present in the hall declared that the attitude of the offending hotels does not represent the sentiment and the willingness to cooperate on the part of some 300 other Miami Beach hotels.

It was brought out in the meeting that the proposed reception center will probably be larger than any person in this area had expected.

Hanks said that Maj. Gen. Henry Arnold, Chief of the United States Air Corps, and other high-ranking officials had inspected facilities as far north as Baker's Haulover and had indicated extensive drill fields might be needed.

In search for warehouse facilities, Hanks said, the investigators went all the way to Fort Lauderdale. They checked extensively garage facilities and mess facilities in both Miami and Miami Beach. During the meeting it was also pointed out that Army negotiators ran into difficulties when they attempted to lease a hotel near the administration building of the officers' candidate school.

In reviewing the entire situation and development of the Miami Beach reception center project, Hanks pointed out that hotel men of the area had met together at least four times before negotiations got under way and during all those meetings there had been only one objection.

That, he said, came from officials of a hotel which had questioned the wisdom of the Army's leasing hotels instead of erecting cantonments. Later, he said, these officials were convinced of the wisdom of the Army's project, and finally there had been no objecting voice when it was announced that the Army was ready to undertake negotiations, and it was known by all hotel men that the maximum amount of rent to be paid was \$10 per man per month.

"We all understood that clearly," Hanks declared.

The defense chairman said that in order that there might be no mistake he had asked individually every owner represented at the meetings and all had agreed.

Brig. Gen. Ralph H. Wooten, ordered here by the Army Air Corps to take charge of proposed technical command activities, told a press conference earlier that "it was most unfortunate that preliminary proposals have not been met when actual negotiations were undertaken * * * and it is considered advisable to look elsewhere for the location of necessary accommodations."

DEMANDS UNREASONABLE

General Wooten held out little hope for the resumption of negotiations, however, and was forthright in terming the refusal of the five or six hotels to stand by original price agreements as "unfortunate" and also terming their rate demands as "unreasonable." He very frankly stated that after officers in charge of negotiations reported to their superiors the lack of cooperation among certain individuals, orders had been issued to immediately stop all action and call off all deals. General Wooten issued the following written statement:

"I arrived at Miami Beach Sunday afternoon, under orders to command the Air Corps replacement training center, which was supposed to be established at Miami Beach. These activities were to consist of the Air Corps officers' candidate school, with temporary headquarters at the municipal golf course, and a replacement training center for the reception and training of Air Corps technical enlisted men.

POLICY EXPLAINED

"It was my understanding that the War Department contemplated establishing these units in the Miami area after receiving an invitation from the citizens of this area to use the facilities which were supposedly available for this purpose. It is the policy of the Chief of the Army Air Corps to use whatever facilities can be made available to prevent the construction of additional temporary facilities, which would not be needed at the end of the war. There is also the problem of providing facilities as rapidly as possible to take care of the immediate expansion requirements of the Air Force. It was thought that the facilities which the Miami area offers would provide the requirements needed for the personnel of the Air Corps without undue delays.

"In accordance with the invitation of the citizens of the Miami area, negotiations were conducted to obtain the necessary housing, messing, warehousing, hospital, recreation, and other facilities.

"It is considered most unfortunate that the preliminary proposals have not been met when actual negotiations were undertaken. The city officials and some of the hotel owners have cooperated fully in meeting the requirements of the Government, at the original prices offered in the preliminary investigation.

SMALL GROUP BLAMED

"A small number, however, have attempted to charge unreasonable rates for the use of their facilities after indicating that they would accept on the same basis as the others. This action necessitated the discontinuance of negotiations on Saturday. As it is essential that all facilities required by this installation be made available if these activities are to be established, it is considered advisable to look elsewhere for the location of the necessary accommodations."

In a press conference, which was attended by Lt. Richard Talley, the contracting officer, Col. James S. Stowell, commandant of the officers candidate school, and other Air Corps officials, it was pointed out that there are five or six hotels blocking the establishment of the reception center.

Elsewhere on the beach it was learned that the original plans were to take over many of the ocean-front hotels from the vicinity of Twenty-fourth Street southward. There were reports that some of the best known of the exclusive ocean-front hotels were to be included.

CONCENTRATION NEEDED

Army officials had pointed out that it is important that the housing facilities be kept close together and that it would be "unfortunate" if large hotels in key positions were to prove uncooperative.

The matters of transportation, warehousing, hospitalization, recreational facilities have not yet been thoroughly investigated, but housing was admittedly the Air Corps' principal problem.

General Wooten pointed out that speed was one of the most important elements in establishing the new center and declared:

Reports have it that one hotel's owner made a very patriotic speech before the hotel association and later told the contracting officer and others that if the Government needed his hotel he would surrender it for a dollar a year.

On the following day, when the officers appeared with contracts based on what they considered a fair price and one in line with the prices offered—and accepted—in the case of other hotels, the manager calmly announced that he would consider a lease only after the Army had paid him \$90,000 cash for the hotel furniture.

Another incident reported to have irked the Army men was that of an ocean-front hotel whose owners last year tried in vain to lease their house for \$50,000. Their price to the Air Corps was \$80,000.

MIAMI TO COOPERATE

The city of Miami is "ready, willing, anxious, and able" to fully cooperate with either the United States Army or Navy or both in providing training and housing facilities it was declared at a meeting of city officials and the chamber of commerce in the Chamber of Commerce Building Monday afternoon.

Mayor Cliff H. Reeder declared the city already has made arrangements to take over the Miami Country Club's golf course for a drill grounds, in the event either the Army or Navy bases a replacement or training center here, and declared that 14,000 hotel and apartment house rooms are available in easy distance of the golf course.

Mayor Reeder, of Miami, late Monday announced he had received 63 telegrams from Greater Miami hotels and apartment house owners offering 7,000 rooms to the Army here at any price the Army wanted to pay.

Telegrams have been dispatched to both the Army and Navy carrying this information. Emmett Choate, attorney for the du Pont interests here, representing the Alcazar Hotel, and chairman of the coordinating committee for defense in Dade County, declared there was a possibility that the Navy, which already has designated Miami as its particular "own," may send from 20,000 to 25,000 men here for training.

The sense of the meeting was that if the Army decides to pass up Miami Beach as a site for establishing a replacement center, Miami is ready to welcome the soldiers here.

Among those in attendance at the session were, besides Mayor Reeder; City Manager A. B. Curry; Frank Kelly and Joe Power, representing the city; George Adams, of the Miami Country Club; Otto Fischer, secretary of the Miami Hotelmen's Association; John Shuey, representing the Columbus Hotel; Leonard Thomson, of the McAllister Hotel; and C. E. McMullen, of the Miami Apartment House Owners' Association.

[From the New York Times, October 20, 1942]

ARMY LEASE OF HOTELS IN FLORIDA PRAISED BY HOUSE PROBERS—NO EVIDENCE FOUND OF EXCESSIVE FEES PAID PROMOTERS, REPORT SAYS

(By the Associated Press)

A House Military Affairs Subcommittee praised the Army's leasing of Florida hotels for training purposes today and reported it had found no evidence that excessive fees or commissions had been paid to promote the leasing of 156 hotels valued at more than \$32,000,000 in the Miami area.

The committee reported it had found—

The leasing of hotels and other facilities for aviation trainees in the Miami area has been carried out at a total cost much less than comparable rentals on a commercial basis.

BELOW COST OF CONSTRUCTION

That the program permits military housing at an average cost a man considerably below that spent by the War Department for the construction of camps and cantonments.

That the leasing of hotels, restaurants, warehouses, golf courses, theaters, and other facilities in Florida has been conducted at minimum cost, while the training program is proceeding with high efficiency.

The aggregate annual rental rate of all facilities under lease was \$3,393,821.75, and the total appraised value of the facilities was \$32,191,210, except those municipally owned.

In one group of 27 hotels the annual rentals paid by the War Department for 25 ranged from 5 to 37 percent less than the amounts of leases for commercial uses, the committee said.

TWENTY DOLLARS MONTHLY FOR EACH MAN

"With the monthly housing cost averaging about \$20 a man in the Miami area, based on the total allocation of \$4,000,000 a year, including \$2,735,928 for annual rentals of 147 hotels, the efficacy of the War Department's new housing program is clearly established," the report added: "In further justification of the program, the outlay of \$4,000,000 a year would house a great many men for a number of years. Furthermore, past experiences has shown that cantonments are virtually valueless after a war."

[From the New York Times, October 21, 1942]

INQUIRY PRAISES ARMY LEASE OF FLORIDA HOTELS—HOUSE INVESTIGATORS REPORT COST LESS THAN BUILDING—NO EXCESSIVE FEES PAID

WASHINGTON, October 20 (AP).—A House Military Subcommittee praised Army lease of Florida hotels for training purposes today and reported it had found no evidence that excessive fees or commissions had been paid to promote the leasing of 155 hotels, valued at more than \$32,000,000, in the Miami area.

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annual rentals of 147 hotels, the efficacy of the War Department's new housing program is clearly established," the report added. "In further justification of the program the outlay of \$4,000,000 a year would house a great many men for a number of years. Furthermore, past experiences have shown that cantonments are virtually valueless after a war."

[From the New York Times, October 21, 1942]

ARMY'S LEASES PRAISED—HOUSE COMMITTEE REPORTS NO EXCESSIVE MIAMI FEES

WASHINGTON, October 20 (AP).—A House Military Subcommittee praised Army lease of Florida hotels for training purposes today and reported it had found no evidence that excessive fees or commissions had been paid to promote the leasing of 155 hotels valued at over \$32,030,000 in the Miami area.

The committee reported that the leasing of hotels and other facilities for aviation trainees in the Miami area had been carried out at a total cost much less than comparable rentals on a commercial basis and at an average cost per man below that spent by the War Department for the construction of camps and cantonments.

The aggregate annual rental rate of all facilities under lease was given as \$3,393,821.75.

[From the Christian Science Monitor, November 9, 1942]

REMAINING MIAMI BEACH HOTELS TAKEN OVER BY WAR DEPARTMENT

(By Leavitt F. Morris)

MIAMI BEACH, FLA., November 9.—Whatever tourist hopes Miami Beach had for this winter dwindled considerably here today as most of the remaining hotels and number of large apartment houses were "ordered" to turn over their quarters to the Technical Training Command of the Army Air Forces.

In a release yesterday the War Department announced a new expansion program in the Army Air Forces which would necessarily acquire additional hotel and housing facilities doubling the capacity of its Officer Candidate School, Officer Training School, and Basic Center Training Center.

When the Army completes its occupation of the new quarters the entire beach all the way from First Street to Baker's Haulover at One Hundredth Street, will be one vast training ground.

The homes of private individuals, however, will not be disturbed by the Army and the closing of the causeways connecting Miami and Miami Beach is not contemplated at this time.

NOT SURPRISED

Miami Beach is not surprised at the Army's move. The writing has been on the sands since the first hotels were taken over last February. From that time on additional hotels have been acquired and it has been only a matter of months when every available hotel and suitable apartment house would be used for Government housing purposes.

The new hotels and apartments to be taken will be occupied as they are needed. Owners, however, have been advised to get their places ready as soon as possible.

The Army Air Forces Technical Training Command has estimated that the taking over of these facilities, which can be adapted to military use with a minimum of alteration, will mean a saving of a year in time as well as large sums of money, labor, and great quantities of vital war materials.

In commenting upon the Army's expansion program at the Beach Mayor Val C. Cleary said: "It is a matter of extreme satisfaction to city officials and to the people of Miami Beach."

IN THE WAR EFFORT

"Miami Beach has been known," he said, "as a luxury resort city, but since the outbreak of the war we have been consistently seeking, like other municipalities throughout the United States, to devote our every effort to the winning of the war."

"Miami Beach, unlike other cities, has but one industry," Mayor Cleary continued. "That industry is the housing of thousands upon thousands of persons. The partial occupation of Miami Beach by the Army last February gave us the opportunity to enlist the industry in the all-out war effort. Now the city of Miami Beach is engaged in the war effort up to the hilt. That is as it should be and that is as we want it."

Mayor Cleary pointed out that in the meantime accommodations are available in the greater Miami area of the city of Miami and its environs.

"We suggest," he said, "that you take advantage of these accommodations or in what accommodations are available in Miami Beach after the Army has completed its program of expansion, if you can conscientiously afford a winter holiday in the warm Florida sunshine."

[From the Miami Herald, March 24, 1942]

DISCIPLES OF AVARICE

Half a dozen hotel operators, their patriotism warped by greed, have caused the United States Army to cancel its plans to establish an Air Corps Replacement Center in Miami Beach.

In wartime they have placed a price on their loyalty to their country. Success or failure of the war effort, as it may be affected by the operation of this Replacement Center, has no place in their calculations. They have blighted this area's reputation internationally.

Several weeks ago, in line with many other Miami Beach hotel operators, they were apprised of the Army's contemplated program. Facilities were needed to take care of the immediate expansion requirements of the Air Force and it was believed the Miami area could provide these facilities without undue delay.

The hotel operators agreed to a plan under which their properties were to be taken over as needed and they would be paid essentially a return equivalent to the interest on their debt, their taxes and insurance, and a little more. The payment was not to exceed a maximum of \$10 per man per month. An average of three men were to be assigned to a room. The Government agreed to maintain the property, return it in sound condition, and to use only basic furniture.

Mortgage holders generally agreed upon extensions of principal payments as long as the interest was paid. The Army's proposal, basically, was guaranty of economic stability to the hotel operators for the period of the war.

Under this program, approximately 4,000 men, members of the Officer Candidate Training School, moved into the first of the hotels needed for the operation.

Now the Army is ready to send an additional 35,000 here.

But five or six of the hotels which had consented to the arrangement have balked. Such is the interdependency of the program, the Army holds, that the absence of the facilities of the five or six makes it impossible to continue with the installation.

In the time that elapsed between the making of the hotel commitments and the present, business has improved. Some measure of prosperity has come to the hotels because the families of the officers, and relatives and friends of the men are here to be near them. As the Army took over additional hotels a room shortage was created, while the guests leaving these hotels increased the demand for the available rooms. The war-depressed season expanded, further improving conditions.

The Army's 35,000-man replacement center was about to be moved into Miami Beach presenting a changed economic pattern, which the few were determined to turn to their profit at the expense of their competitors. They decided they would have to get more money out of the Army, the goose that laid the golden egg had to be made more profitable.

By their conduct these operators reflected upon the patriotism of the entire area. Publication of the new development in Monday's Herald caused an upsurge of resentment that ran through every strata of business and public life. Demands were made for the names of the offending hotels.

At a meeting of the Miami Beach Hotel Association those attending unanimously condemned the attitude of the obstructors, pledged anew their determination to fulfill their commitments.

That the Army should move from here under the existing circumstances and for the reasons stated is unthinkable. It becomes the obligation of every resident

of the area, every person or group having any connection here, to make it plain that the misguided conduct of the disciples of avarice is not that of this area; that we recognize the profiteering demands as interference with the war effort and that such interference is not to be countenanced.

Unless and until the Army returns to its scheduled program here, this community's patriotism stands indicted by the conduct of a few.

EXHIBIT No. 976

[From the Miami Herald, March 29, 1942]

ARMY TAKES OPTIONS ON SIX HOTELS

Army procurement officers moved swiftly Saturday night and obtained options on six Miami Beach hotels for the vast expansion program of the Army.

Bryan Hanks, Dade County Defense Council chairman and a leader in the movement to bring the Army back here after it apparently was lost to the district, said Saturday night that three of the six hotels signed up by the Army were "leading hotels on the ocean front." He added that he had been informed they would be occupied by the Army about Wednesday.

The running battle of the hotel men against the Army was closed Saturday afternoon with an official peace statement by Brig. Gen. Ralph H. Wooten, commanding officer of the Air Forces Technical Training command in this area.

ARMY TO PROCEED

"We will now proceed with the original plans for the establishment of the air forces replacements and training center and the Air Forces Officer Candidate School in this area," General Wooten announced.

That was the good news that culminated almost a week of frenzied activity on the part of civic leaders and officials of Miami and Miami Beach.

The War Department had ordered its negotiators to abandon plans and seek necessary housing facilities elsewhere. Immediately following the revelation by the Herald hurried conferences were called to woo the Army back.

General Wooten substantiated the reports at a press conference and admitted that his men were about ready to leave the area. The general charged "five or six" unnamed hotels had raised prices after the Army had obtained preliminary commitments.

In his statement today General Wooten said, "I cannot but believe that in view of the facts revealed during the last couple of days, the recent misunderstandings arose from a lack of knowledge of the requirements rather than from a lack of patriotism."

After the first blow of the announcement of Army ire had a chance to sink in, action came quickly. About 175 members of the Miami Beach Hotel Association resolved unanimously to do business on the Army's terms. Miami hotel men also prepared to offer the facilities of the city to the Army for expansion of activities here.

After these meetings committees met with the Army representatives and the Army agreed to distribute questionnaires to the hotel so a working basis could be reached.

A survey of the hotel housing facilities has been conducted from Forty-fourth Street south to Government cut. A survey of 200 hotels in the area bounded by Seventh and Thirty-first streets and the ocean and the bay was completed Friday. About 300 hotels in other sections of the beach are now being surveyed.

From the quick and hard-hitting actions of the various leaders came a hopeful note which was climaxed by the all-is-forgiven announcement Saturday.

ANNOUNCES PLANS

In announcing the Army's intention to continue with its plans for expansion in this area, General Wooten said:

"I feel that the valuable assistance which has been received from the citizens' committee appointed by the city of Miami Beach has made it possible to secure the necessary housing and other facilities which were required for the establishment of an Air Forces reception and training center and for the expansion of the Air Forces Officer Candidate School in the greater Miami area.

"I am very pleased that the War Department has authorized its representatives now at Miami Beach to reopen their negotiations. I deeply appreciate the excellent, cooperation with which these officers have been received in this area from both the officials and the thousands of citizens who have so patriotically offered their assistance in solving these problems. The Miami Beach Hotel Association, the Miami Beach Apartment House Association, the Miami Beach City Council and city officials, city of Miami Commission and city officials, and the financial institutions in this area have assisted greatly.

"Both Miami and the Miami Beach Chambers of Commerce were of invaluable aid. The smoothness, speed, and efficiency with which these organizations work has exceeded all expectations.

"I wish to express my personal thanks to Mayor Val C. Cleary, City Manager Claude Renshaw, Mayor Cliff Reeder, City Manager A. B. Curry, John Duff, Bryan Hanks, J. L. Owen, Guy Ellis, Tom Bedall, Dr. Morris Goodman, C. D. McClelland, August Deiger, Baron de Hirsch Meyer, Frank Smathers, Jr., Peter Miller, William Taradash, Arthur Pancoast, Charles Clements, Al Stone, and E. D. Keefer for their cooperation in the negotiations. I especially desire to thank the mayors and city managers of Miami Beach and Miami and members of the special committee who have been working in assisting this committee."

HANKS LAUDS COOPERATION

Hank's statement said:

"We appreciate the splendid cooperation shown by Gen. Wooten and the officers of the United States Air Corps. I am glad to state that the wholehearted response of Miami Beach hotel owners since Gen. Wooten's statement clearly shows they meant what they said when they stated they would back the Air Corps in coming to this area.

"Unquestionably the hotel owners will carry out their promise to the Government, and the Government is carrying out its promise of fair treatment to the owners.

"The committee, of which John Duff is chairman, is working hand in hand with the representatives of the Air Corps and with this close cooperation I'm sure every one will be pleased with the result, including the owners and the Government, all resulting to the great benefit of the preparations needed to win this war."

[From the Miami Daily News, March 29, 1942]

ARMY AIR FORCE CENTER TO TAKE OVER MIAMI BEACH—WAR DEPARTMENT ORDERS REOPENING OF NEGOTIATIONS; RED TAPE SLASHED

By George Goodwin

Military and civilian groups moved at top speed Saturday night to convert Miami Beach from a famed resort into a military center for possibly 50,000 soldiers of the United States Army Air Force. Action followed an official War Department order to proceed with the establishment of an Air Forces replacement and training center and the expansion of the Air Forces officer candidate school, there.

Citizens of Miami Beach had waited for a week to learn whether the War Department would reopen negotiations—stopped suddenly last Saturday—for the establishment of the replacement center or abandon all idea of using this area for military purposes.

When Brig. Gen. Ralph H. Wooten, commandant of the Air Force's technical training command forces in the Miami area, announced at 2:45 p. m. that he had been ordered to reopen negotiations and go ahead with the establishment of the replacement center and expansion of the officers candidate school, Army officials had already seated themselves at conference tables to sign leases that would mean their occupation of the beach's famed resort hotels and restaurants.

The special civilian committee, which has worked frantically since negotiations were called off suddenly last Saturday, when Army officials struck a stumbling block of misunderstanding with hotel owners, had ready lists of fair rental prices which the Army was expected to pay for hotels used to house soldiers.

All red tape and legal difficulties had been slashed away, and all that remained was for leases to be signed and sent to Washington for official approval.

It was believed that many such leases were actually signed during the late afternoon and evening, as hotel owners prepared to move out guests to make way for the vanguard of the replacement and training center personnel.

Though military officials would make no statement on the magnitude of the Miami Beach project—which, incidentally, it is said, probably will overflow into Miami proper, it was possible to draw fairly accurate details from various statements issued during the past week by Army men, defense officials, and civilian committee members.

The officer candidate school, which now includes 500 officer candidates and another 500 administrative officers and men, will probably be expanded to a revolving personnel of at least 4,000 officer candidates and 1,000 administrative men by the end of the year.

The replacement center probably will have, before the war is over, a revolving population of 35,000 and a permanent officer complement of some 4,500.

During one of last week's meetings on the project it was authoritatively stated that, when the replacement center gets under way, there probably will be 1,000 men arriving and departing daily.

Army officials have already been given lists showing space available and approximate rentals of hotels from Forty-fourth Street southward to the tip end of the island playground. However, there was no indication that all the hotels listed would be taken over.

It was believed that the Air Force's activity would be centered about Eighteenth Street, with the officer candidate school extending northward and the replacement center southward as additional housing units are needed.

Many of the beach's large restaurants and night clubs probably will be taken over and converted into mess halls, while garages and warehouses are slated for Army consumption.

In his statement announcing the reopening of negotiations, General Wooten referred to the "Miami area," and this was taken as an indication that rumors that the Army would take over housing, messing, and drill facilities in the Dallas Park area near downtown Miami had some foundation.

It was learned that plans call for the conversion of two of Miami Beach's bayside hotels into hospitals, while the municipal pier and Flamingo Park will be used for recreation facilities. Bayshore and the Miami Beach municipal golf courses will be used as drill grounds.

General Wooten's complete statement on the reopening of negotiations and the establishment of the replacement center and officer candidate school expansion follows:

"I feel that the valuable assistance which has been received by the citizens' committee has made it possible to secure the necessary housing and other facilities which were required for the establishment of an Air Force reception and training center, and for the expansion of the Air Force officer candidate school in the Greater Miami area. I am very pleased that the War Department has authorized its representatives now at Miami Beach to reopen their negotiations. I deeply appreciate the excellent cooperation with which our officers have been received in this area, from both the officials and the thousands of citizens who have so patriotically offered their assistance in solving these problems.

"The Miami Beach Hotel Owners' Association, Miami Beach Apartment Owners' Association, Miami Beach city council and city officials, city of Miami Commission and city officials and the financial institutions in this area, have assisted greatly. Both Miami and the Miami Beach Chambers of Commerce were of invaluable aid. The smoothness, speed, and efficiency with which these organizations work has exceeded all expectations.

"I wish to express my personal thanks to Mayor Val C. Cleary, City Manager Claude Renshaw, Mayor Cliff Reeder, City Manager A. B. Curry, John Duff, Bryan Hanks, J. L. Owen, Guy Ellis, Tom Bedall, Dr. Morris Goodman, C. B. McClelland, August Geiger, Baron de Hirsch Meyer, Frank Smathers, Jr., Peter Miller, William Taradash, Arthur Pancoast, Charles Clements, Al Stone, and E. D. Keefer for their cooperation in these negotiations. I especially desire to thank the mayors and city managers of Miami Beach and Miami and members of the special committee who have been working in assisting this committee.

"I cannot but believe that in view of the facts revealed during the last couple of days, the recent misunderstandings arose from a lack of knowledge of the requirements rather than from lack of patriotism.

"We will now proceed with the original plans for the establishment of the Air Force replacement and training center and the expansion of the Air Force's officer candidate school in this area."

[From the Miami Beach Daily Tropics, Tuesday, March 24, 1942]

HOPE HELD AIR FORCE WILL STAY—COMMITTEE RUSHES DATA TO GET WAR DEPARTMENT TO RECONSIDER—COMMITTEE ASKS DATA TO GIVE TO WAR DEPARTMENT

Brig. Gen. Ralph H. Wooten, of the Army Air Force, today held out hope that the War Department might reverse its plans and resume negotiations toward a broad expansion of Air Force training facilities in Miami Beach.

General Wooten, Col. Mert Proctor, and Lieut. Richard Talley spent the morning in conference with a special committee of Miami Beach city officials and hotel owners, after which John M. Duff, Jr., president of the Miami Beach Hotel Association, issued a statement quoting General Wooten as "encouraged" by the wholehearted pledges of full cooperation by virtually all interests in the community.

At the same time Duff appealed to the owners of all hotels and apartments between Seventh and Thirty-first Streets to list their properties within 24 hours with the special committee named to cooperate with the representatives of the War Department in an effort to prevail upon the Army officials to resume their plans for Air Force expansion in this community.

Likewise, owners of all restaurants, garages, warehouses, and other essential facilities were asked to list their property with the committee, which has set up headquarters in the Cromwell Hotel.

Duff said an attempt will be made to obtain options on all these, after which the entire list of available facilities will be submitted to the Army chiefs in Washington, who then will decide whether to continue with their plans for expansion here or seek another location.

"We must move fast," Duff said, "and I appeal to all hotel, apartment, and other property owners to communicate with our committee at the Cromwell at once. We must assemble all the essential facts without delay, and now even minutes must count."

The committee named to cooperate with the Army men includes Bryan Hanks, chairman of the Dade County defense council; Duff; Baron de Hirsch Meyer, Miami Beach councilman and hotel owner; Frank Smathers, Jr., of the Miami Beach First National Bank; Peter Miller, owner of Peter Miller Hotel; William Taradash, realty operator; Arthur Pancoast, hotel operator; Charles L. Clements, of the Chase Federal Savings and Loan, and J. L. Owen, of the Mercantile National Bank.

The developments today followed a general meeting of Miami Beach city officials, hotel owners, and other civic leaders at the Cromwell Hotel yesterday afternoon, at which it was unanimously voted to appeal to the Army chiefs to reconsider their decision to abandon this area because a few hotels had increased their price demands for leasing to the War Department.

The following statement was prepared and released at noon today by the special committee named at the mass meeting yesterday:

"A joint meeting was held this morning at Cromwell Hotel between Brig. Gen. Ralph H. Wooten and other representatives of the United States Army Air Corps and Engineer Corps and a special committee appointed at a meeting of representatives of the city of Miami Beach, the chamber of commerce, and the hotel association yesterday afternoon.

"John M. Duff, president of the hotel association and chairman of the special committee, said the general stated that he was pleased with the apparent wholehearted desire of the people of Miami Beach and this area to cooperate with the United States Army Air Corps in securing housing, messing, warehouse, garage, and other facilities which would be required to carry out the proposed plans here. He also stated that he was pleased that the city of Miami Beach, the chamber of commerce, and the hotel association have offered to assume a definite responsibility in connection with securing these facilities. He suggested that the special committee immediately assume its duties as an active committee, and in coordination with the Government's representatives determine at the earliest date whether or not the required facilities as specified by the Government can be obtained in Miami Beach on a fair basis.

"The general further suggested coordination with the Government's representatives in collecting facts and data as to each building and property which would be required for use in determining what a fair rental for the facility would be.

"It was decided at the meeting that a call be immediately made to the owners of hotels and apartments and owners of messing, storage, and garage facilities, and

have them immediately submit to the committee at its headquarters at the Cromwell Hotel facts as to their properties as follows:

"Name of hotel, apartment, or other facility.

Street address.

Name of owner or persons authorized to negotiate.

Number of rooms.

Number of beds now in hotel.

Amount of cubic feet in each separate room.

Amount of square feet of public space.

Whether a kitchen is available—size of it.

Seating capacity of dining room under hotel operation.

Fixed charges:

(1) Accrued interest.

(2) Taxes.

(3) Insurance.

(4) Annual amortization on mortgage or mortgages.

(5) Annual ground rent, if any.

"It was also suggested at the meeting that after these facts are gathered that the special committee and the Government representatives determine what the fair price would be on the applicable properties, and in so far as possible adopt a standard price for basis for rental on facilities of similar characteristics.

"It was also suggested that after such has been determined that the committee and the representatives of the Government confer with the owner or representative of the facility required by the Government and endeavor to secure an option for such facility at the agreed fair price.

"General Wooten further suggested to the committee, according to Mr. Duff, that the results of these negotiations should be submitted to him by the committee as rapidly as possible so that definite information can be sent to Washington upon which the War Department can determine whether or not the required facilities can be made available here at a fair price and determine if they should move ahead in this area with the original plans of not only establishing the Officers Candidate School, but also the Air Corps Replacement and Training Center.

"Although the general could not guarantee that the War Department would reconsider its order stopping negotiations, he believes such concrete offers will be very helpful in causing the War Department to give very serious consideration toward doing so.

"Mr. Duff further stated that the general impressed the joint committee with the necessity of immediate action on the part of owners or representatives of the required facilities so that a decision can be made within the next few days.

"Mr. Duff stated that the committee agreed to the general suggestion, the committee has set up their temporary headquarters at the Cromwell Hotel, and that the owners of facilities, hotel, and apartment house and other facilities between Seventh Street and Thirty-first Street should within the next 24 hours submit in writing to the committee at its Cromwell Hotel headquarters the desired facts and data.

"Mr. Duff also stated that if these owners wish forms to use in supplying the facts and data, they can be secured by calling at the committee headquarters. He urged prompt action on the part of the owners, because as he said, the final decision of the Government is going to be based upon the manner in which these property owners respond to the Government's needs."

At the meeting yesterday, Hanks emphasized the vast importance of the Air Corps expansion here to the community as well as to the War Department. As an illustration of the magnitude of the plans the Air Corps has here, he said a difference of 1 cent in the price of milk would amount to \$165,000 a year.

The plans, he said, call for the establishment of the air force replacement and training center which would bring 4,500 officers and their families here, in addition to thousands of troops, which when the center is operating in full force, would be arriving and departing at the rate of 1,000 a day.

There probably would be as many as 25,000 or more troops here at one time for their preliminary training and classification, Hanks indicated.

Attending the mass meeting of hotelmen were Mayor Val C. Cleary, City Manager Claude A. Renshaw, Banker J. L. Owen, Guy W. Ellis of the Lincoln Road Association, Thomas H. Beddall, president of the chamber of commerce; Dr. Morris Goodman, representing the Washington Avenue Association; C. B. McClelland, president of the Apartment House Owners Association; August Geiger, chairman

of the housing committee of the Dade County defense council; and more than 175 hotel men.

Hanks explained that in negotiations with hotels, the War Department had set a maximum of \$10 a month per room per soldier, although rates of \$7 to \$9 per man had been negotiated.

Hanks indicated that if the Air Forces are able to carry out their complete plans for this area, the Army might take over facilities all along the ocean front from lower Miami Beach to Baker's Haulover.

The need, he pointed out, is not only for housing facilities, but eating facilities, warehouses, drill fields, and recreational facilities.

It was indicated that all the Miami Beach golf courses and Flamingo Park might be converted into Army drill fields if possible.

Hospital facilities to care for at least 1,000 men at one time also are included in the Air Forces plans here, it was disclosed, which would probably necessitate the conversion of several hotels for hospital purposes.

The Army officials announced they had no desire to make public the names of the few hotels which had precipitated the War Department's decision to transfer its activities from this area due to the increased demands of these hotels.

It was indicated there may have been some misunderstanding and in view of the present wholehearted cooperation of this area, a renewed effort would be made to reach an amicable settlement of the differences.

General Wooten and Col. Mert Proctor after the conference were guests of the Miami Beach Rotary Club at its noon luncheon at the Wofford Hotel. In brief remarks, General Wooten said he was pleased with the response of the people of this area in offering their full support for the Air Corps plans here.

[From the Miami Beach Daily Tropics, Tuesday, March 24, 1942]

CITY OFFERS ITS EXPERTS TO HELP COMPILE DATA

City Manager Claude A. Renshaw placed the facilities of the city engineering staff and the city tax assessors' experts at the disposal of the Army Air Corps this afternoon for expediting the survey of housing facilities and other properties between Seventh Street and Thirty-first Street.

The city engineering staff and the tax assessor both are familiar with all data on these properties, and since speed is essential in assembling this material for the War Department, Renshaw said he would meet with the special committee to make these services available to the committee.

[From the Miami Daily Herald, March 24, 1942]

HOTEL MEN BID TO KEEP ARMY—OPERATORS ACT ON HIGH PRICES—GENERAL WOOTEN SAYS JAPANESE AREN'T WAITING ON OWNERS TO MAKE UP MINDS

OTHER CITIES STUDIED—BEACH ASSOCIATIONS SPURRED BY REPORT PROJECT IS TO GO ELSEWHERE

Miami Beach hotel men, spurred to quick action by the revelation that United States Army negotiations for procuring housing for an expanded soldier-training program here, were about to collapse because of demands for higher recompense than originally agreed on, unanimously passed a resolution Monday calling for doing business with the Army on the Army's terms.

There was no indication that hotels reported blocking the deal by increased prices were included in the group that voted to abide by the Army's terms.

About 175 members of the Miami Beach Hotel Association joined in a meeting with two keynotes—cooperation and indignation—after reading a story in the Monday edition of the Miami Herald in which it was stated that Army negotiators had been ordered to abandon plans for expanding training facilities for the Air Corps to bring another 35,000 men and 4,500 officers here.

Before the hotel men met, an executive meeting of the board of directors of the Miami Beach Chamber of Commerce was held.

JAPS NOT WAITING

Brig. Gen. Ralph H. Wooten confirmed the report and said that the Air Corps had dropped negotiations for the establishment of a replacement center here because five or six hotel owners had demanded higher prices at the last minute. Wooten refused to identify the hotels.

General Wooten warned: "The Japs and the Germans are not waiting for hotel owners to make up their minds as to what they are going to do."

It was learned earlier that St. Petersburg was being considered as a possible site for location of the center, but General Wooten said four or five places were on the Air Corps list. He declined to identify them.

He said he had not received War Department orders to begin negotiations any other place. Upon that statement hung a note of optimism among civic and business leaders of the area that all might not be lost yet.

COMMITTEE NEGOTIATIONS

A committee was appointed by the hotel men to talk with Lt. Richard Talley, an Army negotiator. That meeting was in session for some time late Monday.

The civilian committee included Mayor Val C. Cleary, of Miami Beach; Bryan Hanks, chairman of the Dade County Defense Council; Miami Beach Councilman Baron de Hirsch Meyer; Ed Keefer, a member of the board of directors of the Miami Beach Chamber of Commerce and a real-estate appraiser; Al Stone, of the Blackstone Hotel, and John Duff, president of the association.

At the association meeting, Hanks outlined the history of the negotiations and pointed out the black eye that the beach would earn if the negotiations were not revived.

LIST PREPARED

Bruno Weil, of the Belmont Hotel, told the group that he had prepared a list of hotels to be offered to the Army when the proposition was being formulated in Washington.

He said he had omitted intentionally the names of the Raleigh, the St. Mortiz, the Bancroft, and several others because their financial structures were so complicated that the negotiations would have been impeded seriously.

J. N. Morris, representing several beach hotels, took sharp exception to the statement and declared that the St. Mortiz, the Jefferson, and others he represented should not have been included in that classification. He said their financial structures are not involved.

He pointed out to the meeting that the Jefferson had accepted an Army offer and had vacated its tenants who were paying the owners between \$400 and \$500 a day on March 22. He said that he had not yet heard when the Army would take possession.

MIAMI GETS BUSY

While the various conferences were in session on the Beach, Miamians turned their attentions to the problem of keeping the Army interested in the greater Miami area.

Emmett Choate, chairman of the Army Projects Emergency Coordinating Board, met in the chamber of commerce offices with representatives of 14 hotels, the Miami Apartment House Association and city and chamber officials.

A committee was named to survey Miami and wire the Army and Navy offers of any facilities available in Miami. Choate told the gathering it seemed reasonable to believe that the Army and Navy had divided the district—the Army to have free reign on the Beach and Miami to be kept open for establishment by the Navy of training activities. He said that Miami's Washington representative, Ernest R. Graham had been on the job contacting officials.

Mayor C. H. Reeder said the Miami Country Club Golf Course could be obtained for a drill field at a cost of \$3,600 a year. This figure he said would cover taxes and insurance.

He pointed out that the Army requires drill fields to be within 1½ miles from soldier housing facilities and that "with only a slight stretch" all downtown hotels could come under that rule.

The meeting stressed that any possible offers would be made by Miami without intention of undermining Miami Beach.

Later General Wooten called upon City Manager A. B. Curry. Curry said that the general asked to be shown about the city and inquired particularly about storage space at the docks. They toured the city by auto and the general returned to Miami Beach for further conferences.

DEFENDS HOTEL OWNER

H. N. Henry, a Miami Beach realtor, issued a statement in defense of hotel owners. His statement said, in part:

"In refutation of the story that Miami Beach hotels are trying to hold up the Government for too high prices for Army use, the fact of the matter is that there are numerous hotels available at the beach at the prices the Army is willing to pay.

"For instance, a 90-room hotel, very comfortable and livable with a central location, is offered for \$15,000 a year. This hotel should comfortably accommodate 180 men.

"I am sure that through the agency of the various members of the realty board that the Army Procurement Division would have no trouble in securing sufficient accommodation.

"While it's true that they like to get accommodations as close to drill grounds as possible, the distance of a few blocks certainly should not make any difference in the life of a soldier.

"I approached a member of the procurement division and mentioned two different hotels about 10 days ago, one of these has since been leased, but he remarked at the time that they both were too far away from the area in which the school is located."

EXHIBIT No. 977

MIAMI, FLA., April 4, 1942.

His Excellency FRANKLIN D. ROOSEVELT,

President of the United States of America:

Speaking for a temporary association of the owners of the finest hotel properties in Miami Beach, situated in its best upper beach area from Thirty-first to Forty-fourth Streets, and aggregating millions of dollars' investment, they respectfully request that you immediately despatch your accredited personal representative or a War Department committee here to investigate the procedure of the Army officials here in taking over hotels and halt such procedure until our earnest protest of its unfairness can be reported back to you as time and even hours are vital. The rentals so far made which we can show and prove have been arbitrarily offered on "like it or suffer the consequences" we aver have no basis in equity, reason, or jurisprudence and are in violation of our constitutional rights, emergency or no emergency, and in effect are class confiscation in disregard of due process and in many cases will extinguish the life savings and total assets of our hotel owners. The question of our patriotism is not debatable because it is real and a fact as we all stand ready to transfer our properties if and when the Government actually needs them, but we submit that such surrender should not be a coercion or unwarranted crucifixion of us as a class, but effected on a fair basis consistent with our Government's dealings with industry, commerce, and other businesses that, like us, are wholeheartedly supporting the defense program. While few hotels in our area have so far been taken over, we understand it is contemplated to occupy most or all of them, and if so, on the inconsiderate and confiscatory basis of those that have been appropriated. We, the home owners, and the apartment house owners of this city feel that the general public of this country should be apprised of what is occurring through the media of press, radio, and Congress, because if this can happen and be permitted here it can happen in any locality in the United States, and we and many feel it is not the way to enlist the sympathy and sacrifice of our citizens to save the democracy we believe we are fighting for and which you have urged. We should not release this telegram or our protest to the press until we hear from you. Your answer is most respectfully requested.

HOTEL OWNERS OF NORTH BEACH.

EXHIBIT No. 978

THE SHOREMEDE,
MIAMI BEACH, FLA., April 21, 1942.

Brig. Gen. RALPH H. WOOTEN,
Vanderbilt Hotel, Miami Beach, Fla.

DEAR GENERAL WOOTEN: It has been brought to my attention that a small group of hotel owners have joined together to call themselves "The North Beach Hotel Association," and I understand that they have written to the President of the United States, copy of letter you have in your possession.

My brother and I want to go on record that the Shoremede Hotel and many other hotel owners north of Thirtieth Street are not a party to this letter in any manner, and are not in sympathy with the contents thereof. We believe that most of the hotels north of Thirtieth Street are at your disposal and that this letter was instigated by a minority who have a personal gain to make in this emergency.

We condemn any such letter that has been sent out under such representations and wish to again state that we wish to offer to you the Shoremede Hotel, the Dayton Hotel, and our parking lot for your use at any time that you desire them.

With kindest personal regards and assuring you of our fullest cooperation at all times, we remain

Sincerely yours,

D. RICHARD MEAD & EDWIN MEAD,
By D. RICHARD MEAD,
(For the Shoremede Hotel.)

Certified a true copy:

RALPH H. WOOTEN,
Brigadier General, United States Army, Commanding.

THE LORD TARLETON,
Miami Beach, April 23, 1942.

DEAR GENERAL WOOTEN: I was rather surprised today in conversation with Mr. Dick Meade to hear of a telegram purported to have come from the North Beach Hotel Men's Association relative to some expressions regarding the taking over of hotels above Thirty-first Street.

May I respectfully suggest that I know nothing of this telegram, by whom sent, nor when. This letter is written to emphasize this thought—it does not express our feelings. We feel that if at any time our country wants our hotel, it will be our pleasure to put our shoulders to the wheel and help in any way possible.

I speak for my father, my brother, and myself.

Very respectfully,

WALTER JACOBS.

MIAMI BEACH HOTEL ASSOCIATION,
Miami Beach, Fla., April 28, 1942.

HIS EXCELLENCY THE PRESIDENT OF THE UNITED STATES,
White House, Washington, D. C.

DEAR MR. PRESIDENT: At a meeting of the Board of Directors of the Miami Beach Hotel Association held on April 27, at the Shoremede Hotel, 3585 Collins Avenue, attended by the following directors: John M. Duff, Jr., Joseph Elkin, Warren C. Freeman, Abraham Halperin, Neal Kars, Walter C. Kovner, Edwin B. Mead, Stuart Moore, Ed. L. O'Leary, Harry Sirkin, Alfred Stone, Hugh L. Thomas, the following resolution was adopted:

"Whereas it has been brought to our attention that on April 4 a telegram was sent to the President of the United States, signed by a small group calling themselves the North Beach Hotel Owners' Committee.

"Whereas we understand that this telegram was sent condemning and requesting an investigation of the procedure of Army officials in leasing hotels at Miami Beach, for the purpose of housing the United States Army Air Corps Replacement Center and the United States Air Corps Candidate Training School.

"Now therefore, the Miami Beach Hotel Association, whose membership embraces all sections of Miami Beach and which had no knowledge of the

INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM 9091

aforesaid telegram being sent until Saturday, April 25, wishes to go on record as being unalterably opposed to the sentiments set forth therein, and to express its confidence in the fine work being done by the United States Army officials at Miami Beach."

JOHN M. DUFF, Jr.,
President.

W. T. LAW,
Executive Secretary.

EXHIBIT No. 979

RESOLUTION No. 5464

Be it resolved by the City Council of the City of Miami Beach, Fla., That they do hereby signify their intention of cooperating with the United States Government in closing to through traffic, from time to time during the emergency period, as required by the Government, all streets lying within the area bounded on the east by the Atlantic Ocean, on the south by Lincoln Road, on the west by Washington Avenue, and on the north by Twenty-second Street, with the exception of Washington Avenue and Collins Avenue.

Passed and adopted this 20th day of February A. D. 1942.

VAL C. CLEARY,
Mayor.

Attest:

C. W. TOMLINSON,
City Clerk.

[SEAL]

EXHIBIT No. 980

APRIL 15, 1942.

Maj. DAVID G. FITCH,
United States Engineer Corps, Miami Beach, Fla.

DEAR MAJOR FITCH: The undersigned civilian committee and appraisers have been working since the latter part of March with you and other representatives of the United States Army in carrying out the desired plans of the United States Army Air Corps in this area.

In addition to the Miami Beach municipal golf course property and other properties in Miami Beach which have been offered to and turned over to the Air Corps, without cost to the Government, we have assisted you and other Government representatives in the optioning or leasing of more than 100 hotels, and also other required properties, including restaurants.

We are pleased that the work has moved so smoothly. With very few exceptions the owners of the properties optioned or leased have been agreeable to the offered lease price, clearly indicating the fairness of the price being offered by the Government and the desire of the people of this area to cooperate with the Army Air Corps.

In the few instances negotiated by the civilian committee where the offered price has not been acceptable to the owner, financial, lessee, or other conditions have made it impractical for the owner at this time to turn over his property to the Government.

The work has been hard and tedious, but pleasing, because of the generally satisfactory results obtained for the property owners and the Government. The appraisers are continuing to appraise the properties desired by the Government, and the civilian committee is continuing to negotiate with the owners and otherwise cooperate with the Government in the securing of the necessary facilities for the requirements of the Army Air Corps in this area.

In addition to our work with the owners of the properties desired, we are individually talking to hundreds of the citizens of Miami Beach, and almost without exception they are very favorable to the Corps of Engineers and the Air Corps and their operations on Miami Beach, and are desirous of helping every way they can.

As you know, the undersigned have been working without money compensation. However, we can assure you that we have received much compensation in the satisfaction that has come to us in our efforts to be of assistance to you and to those

other representatives of the Government who are responsible for the establishment and operation of the several phases of the United States Army Air Corps in this area.

Sincerely yours,

John M. Duff, Jr., Val C. Cleary, Baron de Hirsch Meyer, Marcie Liberman, Bryan Hanks, S. G. Tarilton, Benjamin E. Bronston, E. D. Keefer, August Geiger, Frank H. Riess, Peter W. Miller, Frank Smathers, Jr.

EXHIBIT No. 981

DEPARTMENT OF JUSTICE,
Washington D. C., June 23, 1942.

To United States Attorneys, Field Attorneys of the Lands Division, and Land Acquiring Agencies of the Government.

RE APPRAISALS IN CONDEMNATION PROCEEDINGS

The steady increasing volume of land acquisitions for war purposes has revealed a great deal of confusion as to methods of appraisal in determining the value of property taken. The instructions given by one Government agency may differ widely from those given by another, and still wider dissimilarity exists in the standards of appraisals when the problem is left entirely to the individual judgment of appraisers employed by acquiring agencies.

In the hope of providing a general guide both for the use of Department of Justice attorneys when expert appraisals witnesses are employed, and for the convenience of land-acquiring agencies whose appraisal work ought to be governed by what is ultimately acceptable in court, the attached Bulletin No. 14 has been drafted, summarizing the basic rules for the appraisal of property. The advice of counsel will generally be necessary in applying the rules to particular cases.

NORMAN M. LITTELL,
Assistant Attorney General,
Lands Division, Department of Justice.

SUGGESTIONS FOR THE APPRAISAL OF PROPERTY IN CONDEMNATION PROCEEDINGS

The appraisal of property for purposes of eminent domain presents unique problems not ordinarily encountered in appraising for sales, mortgage, rate making, insurance, and other purposes. This results naturally from the fact that the method of appraisal, the elements and factors to be considered, and the weight given them, and the standards of valuation are determined to a great extent by law. Therefore, the judgment or opinion of the individual appraiser should be governed by proper legal standards. The justification of the appraisal before a jury, under vigorous cross-examination and in the face of contradictory appraisals, requires the utmost accuracy and thoroughness, and the valuation of the property by all adaptable methods.

The purpose of this bulletin is to set forth generally the principles applicable to the appraisal of property for eminent domain purposes. The rules herein stated are subject, of course, to modification under the varying circumstances of particular cases. It is in the application of general rules that wide differences of opinion occur, many of which must be resolved in court. Appraisers are cautioned to confer with the representatives of the Department of Justice who will be charged with the responsibility of preparing for trial the condemnation cases embracing the properties in question. In this manner, specific instructions can be given when there is doubt as to the proper method of valuation or the application of particular rules to specific states of fact.

I. GENERAL RULES FOR APPRAISING

1. *Fair market value.*

The criterion for just compensation is the fair market value of the property at the time of taking. "Fair market value" is defined as the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would be sold by an owner willing but not obliged to sell to a purchaser who desires but is not obliged to buy. In ascertaining that figure, consideration

should be given to all matters that might be brought forward and reasonably given substantial weight in bargaining by persons of ordinary prudence, but no consideration whatever should be given matters not affecting market value.

2. *Most valuable use.*

The determination of the fair market value should include consideration of the highest and best use for which the property is clearly adapted. If it is clear that the property is peculiarly adapted, or may in the near future be peculiarly adaptable, by reason of its location, surroundings, or intrinsic character to some particular use which results in a present market value greater than it would otherwise have, that circumstance should be given consideration, but no allowance should be made for remote, imaginary, or purely conjectural uses. In no event should the appraisal be made by the evaluation of the property for one use, and the addition to that amount of the value for a different and inconsistent use. The proper application of the highest and best use rule permits only an allowance for the present enhancement in value by reason of the reasonable likelihood of adaptation of the property for a higher and better use in the reasonably near future.

3. *No allowance for gain to Government.*

The appraisal should include no allowance for enhanced value of the property attributable to or resulting from the public use or purpose for which the land, or other land in the project, is to be acquired, or from the known intention of the Government to acquire the land or other land for the project. No allowance should be made for any increase in value, commonly termed "plottage or plottage increment," occasioned by the combination by the Government of two or more lots or tracts into a larger, and therefore more valuable tract. No consideration should be given to or allowance made for the involuntary nature of the taking, the lack of desire of the owner to part with his property, or inconvenience and possible hardship caused the owner, since all property is held subject to the right of eminent domain and subject to the patriotic duty of the owner to surrender it for public use.

4. *Special value to owner.*

No consideration should be given in the appraisal to any special value of the property to the owner not directly reflected in the market value. Likewise, market value is not affected by any special desirability to the owner by reason of sentimental attachment for, or family, historic, or other association with the property. Historical association may be considered only when and to the extent that it affects market value.

5. *Separate items enhancing value.*

Buildings and improvements, timber, crops, sand, gravel, minerals, oil, and so forth, in or upon the property are to be considered to the extent that they enhance the fair market value of the property as a whole. The total value should not be determined by adding the values of such separate items to the value of the land, and the fact that the various items are in separate ownerships does not alter the rule. It must be remembered that it is the fair market value of the entire property that is the standard of valuation, and not the total of the money values of separate items. The mere possibility of the existence of minerals, oil, or gas is not sufficient to affect market value. Such a possibility can be given consideration only when there is sufficient likelihood of the presence of mineral, oil, or gas as to affect market value and when that likelihood would be given weight by a prudent person in bargaining.

6. *Appraisal as an entirety.*

Each parcel should be appraised separately, but if two or more contiguous parcels are in the same identical ownership, appraisals should be made of each separately and of all as a unit. If there are several interests or estates in the property, the property should be appraised as a whole, embracing the rights, estates, and interests of all who may claim, and as if in one ownership. For purposes of trial, the valuation of the entirety should then be broken down into valuations of the separate estates or interests. However, the condition of the title at the time of taking should be given full consideration, and if there exist estates or interests, such as easements, servitudes, or restrictions, which result in a diminution of the fair market value of the property as a whole, due allowance should be made. For example, land subject to an easement for public use for highway purposes generally would have no more than nominal market value,

or land subject to an easement for light and air would have no market value for building purposes.

Frequently, there is condemned land subject to an existing easement which benefits and is appurtenant to land not being acquired, with the resultant extinguishment of the easement. In such case, full consideration should be given to and proper deduction made for the existence of the easement in the appraisal of the land condemned, and also, there should be determined the diminution in value of the land benefited by reason of the extinguishment of the easement.

II. VALUATION WHEN ONLY PART OF A TRACT IS TAKEN

1. *Severance damages and set-off for benefits.*

When part only of a tract or parcel of land is taken, the just compensation may include not only the fair market value of the part taken, but also an allowance for severance damages to the remainder directly caused by the taking. When, on the other hand, the part which the owner retains is specially and directly increased in value by the public improvement, the damages to the whole parcel by reason of the taking of a part of it are diminished, that is, there should be a set-off for benefits. Therefore, an appraisal when only part of a tract is taken should be based on consideration of either the benefits which accrue or the depreciation which results to the remainder of the land not taken.

2. *Method of computation.*

The appraisal when part only of a tract or parcel is taken may be made by either (1) computing the value of the part taken and adding to or subtracting from that figure an allowance for diminution or enhancement in value, respectively, of the remainder or (2) by evaluating the entire tract before the taking and subtracting from that valuation the value of the remainder. The latter method is generally more accurate and practical, since either severance damages or a set-off for benefits are considered automatically, and consequently, this method is preferable.

When part only of a tract is taken, the appraiser should consider damages to the remainder only when, and to the extent that, it is clear such damages would affect the market value of the remainder. Such damages must be special and must be a direct and proximate result of the taking of the part, and not merely such damages as may be possible, or speculative, imaginary, or remote. Also, such damages must differ in kind and not merely in degree from damages shared by the public in the area generally. It is damage to the remainder of the land, and not damages to the owner which may be considered in the appraisal. Accordingly, inconvenience, or loss of income and profits, can be considered only when reflected by a diminution in value of the remainder of the land.

3. *What constitutes a single tract.*

Whether lands owned by the same owner may be considered as a single tract for the purpose of allowance of severance damages or the set-off of benefits is a question frequently difficult to determine. Generally, severance damages and benefits should be considered only when there exists exact identity of ownership, unity of use of the lands, and physical contiguity. By identity of ownership is meant that the title to each tract must be vested to the same extent in the same owner. The ownership is not identical when the owner has different interests in the two or more tracts, as where he owns one tract in fee simple, has a leasehold interest in another, and owns in entirety the stock of a corporation which owns another tract.

Unity of use contemplates that the tracts shall be used for the same identical use, as farming, manufacturing, etc. If the uses are dissimilar, no allowance can be made for severance damages or benefits.

Physical contiguity exists when the lands have a common boundary or are in such juxtaposition as to constitute in fact one tract. However, the mere separation of lands by highways, streams, railroad rights-of-way, and so forth, will not interfere with the required physical contiguity, if the lands are used for the same purpose.

If the appraiser has any doubt as to whether severance damages or benefits should be considered, he should appraise the property both with and without consideration of these items and he should obtain instructions from the field representative of the Department of Justice in charge of the proceeding.

III. VALUATIONS WHEN LESS THAN THE FEE SIMPLE TITLE IS TAKEN

1. *Easements.*

When an easement or servitude over land is condemned for the public use, the appraisal should be in the amount of the difference between the fair market value of the land before and the fair market value immediately after the imposition of the easement. Full consideration should be given to and due allowance made for the substantial enjoyment and beneficial ownership remaining to the owner, subject only to the interference occasioned by the taking and exercising of the easement. If no beneficial ownership remains in the owner, the appraisal should be the full fair market value. Also, if the imposition of the easement results in benefits to the owner, the value of the benefits should be set off against the damages.

2. *Use and occupancy.*

When the right to use and occupy property is to be acquired, the landowner is entitled to the fair value in money for the term of occupancy. The rental value should be appraised by comparison with rentals paid for similar property for similar terms and by estimating the fair income on the fair market value of the property. If the land or property is not rentable, or would be susceptible of leasing only to the Government, the appraisal should be made by determining in the usual manner the fair cash market value of the land and calculating the income on that value at the prevailing rate of interest. Frequently, it is known that the property will not be returned to its owner in the same physical condition as it was at the time of taking, in which event the appraisal should include, in addition to the rental value, the difference between the fair market value at the time of the taking and the value after the physical changes have been made.

3. *Property subject to lease.*

If the property, the use of which is taken, is already leased, the fair rental value is readily ascertainable, but, in addition, an appraisal must be made of the lessee's interest. The appraised value of the lessee's interest should be determined by subtracting from the fair market value of the unexpired portion of the term of the lease, the rental required to be paid under the lease and the actual costs of operations to be saved by the tenant. The market value of the unexpired term is equivalent to the price a prospective tenant would pay for an assignment of the lease. The appraisal of the lessee's interest should include no allowance for inconvenience, cost of moving, interference with business, or loss of profits.

During the present war program, the Government frequently condemns the right to use and occupy property for an indefinite period or for the duration of the emergency, or for a definite period with the right to renew for an additional indefinite number of periods. In such cases, the appraisal should be based on the fair rental value of the property for a convenient definite term, as a month, quarter, or year, so that periodic payments may be made as the use continues.

IV. METHODS OF APPRAISAL

1. *Appraisal by all available methods.*

In order to be properly prepared to testify as to value in court, and to render the utmost assistance to counsel in preparation for trial, it is necessary that appraisals for purposes of eminent domain be made by all adaptable methods and in accordance with all possible theories, though contradictory. While the appraiser may be positive that only one method or theory is sound, neither he nor trial counsel can predict the scope of the cross-examination or the evidence which will be adduced by the opposing party, as to which the appraiser may be called to testify in rebuttal.

2. *Time of valuation.*

As a general rule, the property should be valued as of the time of taking, or as near that time as is possible. When the appraisal is made after the taking, no consideration whatever should be given to physical changes, particularly improvements made by the condemnor, or changes in value occurring after the taking. Likewise, no consideration should be given to or allowance made for enhancement or diminution in value of the property attributable to or resulting

from the governmental use or project, whether such changes in value occur before or after the time of taking. Should the landowner attempt to increase the amount of just compensation by making improvements after the institution of the proceeding, but before the actual taking, the property should be evaluated both with and without such improvements for submission to the court.

3. *The entity or unit theory of evaluation.*

Since it is the property itself which is to be evaluated, and not the separate interests therein, the appraisal should generally be made for the property as a whole, without regard to various diverse interests which may exist; that is to say, the property should be appraised as if in a single ownership. The apportionment of the appraised value for the various interests can be made only after the evaluation of the property as a whole. However, when the property is subject to some outstanding interest, such as an easement for highway purposes or light and air, or equitable restrictions, which decreases its market value, due allowance should be made for the diminution in value resulting from the outstanding interest. Thus, a parcel of land in a retail trade area, the title to which would be defeated by use for commercial purposes, would have little value in that area either for commercial or residential use.

If the property taken contains minerals, oil, gas, stone, or sand or gravel deposits, or is covered by growing crops or timber, these factors should be considered only as they affect the fair market value of the property as a whole, even though the minerals, timber, crops, etc., are owned separately from the fee simple title. However, after the appraisal of the property as a whole, the appraiser should evaluate the timber, minerals, crops, and other elements separately to the extent that they enhance the value of the land as a whole so that he may justify the allowance made for the change in fair market value by reason of the separate items. Care should be taken to avoid so-called "cumulative" appraisals arrived at by the addition of the value of separate items to the land value. If the appraiser is not familiar with all the types of property involved, he should consult with experts in the particular fields to familiarize himself with their methods so that he will be fully qualified to testify himself as to all items.

4. *Appraisal by the comparative method.*

The determination of the fair market value of property by consideration of previous sales of the same property and comparison with sales of similar property is perhaps the best method. Sales of the same property may be considered only when they are sufficiently near in point of time and made under such circumstances as to have a bearing upon present fair market value. Forced sales, sales remote in time, and sales prior to substantial physical changes may not be considered. Consummated sales of other lands similar in character, location, and use to that being appraised should be considered, provided such sales were made under normal conditions, were not forced, and were made sufficiently near in time as to be indicative of present market value. While the consideration and weight to be given sales of other lands is determined by application of the three tests of proximity in time, proximity in location and similarity, the appraiser should investigate, list in his report, and be prepared to testify with respect to all sales which might, with any stretch of the imagination, be pertinent.

Great care should be exercised in considering mere offers to buy or to sell, unaccepted options, and listings with real estate agents as they are generally inadmissible as evidence to prove value. However, such offers and options, if apparently bona fide, should be listed in the appraisal report for the information of trial counsel.

Sales of other lands to the Government in connection with the project or offers made by the Government for the same or other land in the project should in no event be considered since these offers and sales are generally based upon such collateral matters as the desire to avoid the expense and inconvenience incident to condemnation proceedings or the dictates of public policy.

While appraisers generally are familiar with the unreliability of valuations for taxation purposes as an indication of fair market value, such assessed valuations should be investigated and included in the appraisal report, together with statements of the date and rate of the assessment and other related facts. Particularly, there should be investigated fully and included in the report any valuations made by the owner, his agents or representatives, in tax returns or petitions for reduction in the assessment, whether or not made under oath, so that such valuations may be used in evidence.

5. *Appraisal by the reproduction cost less depreciation method.*

Since fair market value is the criterion for the determination of just compensation, an appraisal based solely upon the value of the land plus the replacement cost of the improvements, or the reproduction cost of the improvements, less depreciation, can be proper only when there can be neither an actual nor a fictitious market value. Infrequently, when there can be no fair market value as, for example, when a unique manufacturing plant, a church, or a public school is taken by eminent domain, the only available method of appraisal is by the evaluation of the land and the addition thereto of the reproduction cost of the improvements, less physical and economic depreciation. However, to adequately prepare for trial, when the structures and improvements are at all adapted to the best use of the land and to any extent enhance its value, an appraisal should be made by this method.

In the appraisal of land by this method the fair market value of the land is first determined, and to that value is added the reasonable reproduction cost of the buildings and improvements less a proper allowance for depreciation. The reproduction cost should be determined by the most accurate available method, which is generally an estimation of the cost of materials plus the cost of construction, including overhead. However, the method most frequently used is that of multiplying the total number of cubic feet in the structure by the cost per cubic foot of similar construction, with due allowances for variations from standard construction practice. Obviously, an estimation of reproduction cost upon an area or square-foot basis will generally be grossly inaccurate and is not to be preferred. If at the time of the estimation of the cost of reproduction costs of materials and construction are so high due to abnormal conditions, that no reasonably prudent man would undertake the construction of buildings and improvements, a proper deduction should be made to reduce the reproduction cost to a figure which would justify construction.

Except under most unusual circumstances, any consideration of reproduction cost is improper unless deductions are made for depreciation and obsolescence. The amount to be deducted for depreciation must include not only a full allowance for physical deterioration, wear and tear, damage by the elements, and so forth, but also allowances for so-called economic and functional depreciation or obsolescence.

While there is considerable confusion in terminology, economic depreciation may be defined to include all losses of value due to external conditions, usually attributable to lack of demand; changes in the character of the neighborhood; the enactment of regulatory measures such as zoning laws, preventing the best use of the property; the proximity to nuisances; changes in farming and manufacturing processes; and, to a great extent, to lack of adaptability of the buildings to the land; that is, over- or under-improvement of the land, as when a \$10,000 residence is constructed in a neighborhood of \$5,000 homes.

Functional depreciation may be defined as any loss in value arising from the nature of the structure itself or due to inherent factors, such as inadequacy or overadequacy of fixtures, equipment, and conveniences, as in the case of a \$20,000 residence with one bathroom; antique or eccentric design or type, resulting from nonconformity with standard, modern architectural technic and construction practices, or the lack of or surplus of room, and so forth. The term "obsolescence" is generally used interchangeably with "depreciation," but it may be defined in a most limited sense as loss in value primarily due to age and the passage of time.

Regardless of terminology, the appraiser should consider and deduct from the reproduction cost a full allowance for all factors that affect the value of the property as a whole. For convenience, there is attached a standard table listing various structures and giving the percentage rate of their depreciation. In using any such table it must be remembered that the figures represent only the norm, and that adjustments must be made to suit the individual case.

6. *Appraisal by the capitalization method.*

An indication of the value of property may be obtained by the capitalization at the current rate of return in the locality of the net income actually derived from the land and improvements, less depreciation. Except in most unusual cases, this method may be used only as a check upon the accuracy of appraisals by other methods. It is income from the property itself which should be taken as the basis for the calculation, and not income or profits from a business conducted thereon or income derived as a result of the industry of the owner or occupant. The money income from the operation of a farm results not so much from the value of the land as from the husbandry of the farmer, the climatic

conditions, and the state of the market for the crop, so that farm lands generally cannot be evaluated by the capitalization method. Care must be taken in the application of this method to charge against gross income from the property all expenses, including taxes, assessments, maintenance, insurance, and depreciation.

7. What the appraisal should cover: Removables and fixtures.

When appraising property for purposes of eminent domain, the appraiser first should determine definitely the extent of the property and the interest therein to be acquired. If only the land and improvements are being condemned, no consideration whatever should be given to personal property nor to the expense which might be incurred in the removal of the personal property from the premises. Difficulty is often encountered in determining whether property is personalty or realty. In all cases of doubt, the appraiser should consult with the field attorney of this Department for instructions. Frequently the matter will have to be determined in court, and the appraisal will have to be prepared in the alternative, one based on the inclusion of the improvements as part of the realty, and one based on its exclusion as personalty.

Property which has been personalty and which has been attached or annexed to the realty so as to become a part thereof, is generally designated as a fixture. The determination of whether property is a fixture should be based upon the presumed intention of both the owner of the realty and the party affixing the property as evidenced by the method of annexation of the property to the realty, the object or purpose of the annexation, the adaptability of the property for permanent or temporary use in connection with the realty, and, finally and perhaps of most importance, whether or not the article may be severed without material injury to it or to the realty.

When personal property is placed upon leased premises by a tenant for the purpose of carrying on a business or trade, or for farming, or for the greater enjoyment and convenience in the use of residential property, such property is generally classified as trade, agricultural, or domestic fixtures, respectively, and does not become a part of the real estate.

8. Personal property.

When personal property is appraised, the valuation should be based on the market price in the locality of property of similar type and condition. When the appraisal is to cover both real estate and personal property thereon, an appraisal should be made in the usual manner of the land, buildings, improvements, and fixtures, so far as they enhance the market value of the real estate, and a separate appraisal should be made of the personal property. A detailed inventory should be made of all of the removable and personal property. (See Department of Justice Bulletin No. 11, Circular No. 3534, dated March 31, 1942, re: Acquisitions under Second War Powers Act, 1942.) Of course, if there is an established market price for the personal property, there is no need for the exercise of opinion in evaluating such property.

V. PREPARATION AND TESTIFYING IN COURT

The appraisal of property for purposes of eminent domain requires the most careful and extensive preparation, for the appraiser must not only evaluate the property accurately, but he must furnish trial counsel with all available pertinent information. Inadequacy of preparation and lack of knowledge may prove to be not only embarrassing to the appraiser, but actually detrimental to the case. The appraiser must stand ready not only to justify his appraisal under severe questioning, but also to convince the court and jury or commissioners as to its accuracy. It must be remembered that the competency of an appraiser in condemnation proceedings is measured as much by his ability to convince others as by the accuracy of his appraisal.

1. Preparation.

The appraiser should make a thorough and detailed inspection of the property and a survey of the neighborhood in which it is located. He should investigate fully the values of comparable properties in the locality, the demand for and availability of such properties, the trend of values, and so forth. He should obtain information with respect to all sales of similar properties, and the circumstances affecting such sales; the assessed value; the taxes; the tax rate; special assessments; zoning regulations; building restrictions; and all other data pertinent to the appraisal. All information obtained should be carefully recorded in notes so that the appraiser may refresh his memory at the time of trial.

2. The appraisal report.

The appraisal report should be accurate, complete, and sufficiently detailed to appraise trial counsel of all factors involved. It should contain a summary of the appraiser's qualifications, including statements of his training, his experience, and his present and past employment. It should also contain a detailed description of the property, lists of sales of similar lands, and full statements of all pertinent information. The report should include, or the appraiser should have available, all maps, plats, sketches, and photographs necessary for use in the trial of the case. The appraisal report should be treated as strictly confidential and its contents disclosed only to trial counsel and other properly authorized persons.

3. Testimony.

In testifying in court, the appraiser should keep in mind that his duty is to convince the court and the jury or commissioners of the accuracy of his appraisal. To that end, he should make a presentable appearance and maintain an impressive attitude. He should understand all questions before attempting to answer and should then answer frankly, directly, and courteously. He should make no attempt to evade embarrassing questions and in no event should he become angry or argumentative with opposing counsel. He should make free use of photos, maps, plats, and sketches so that the court and jury or commissioners can visualize the facts. Particularly, and perhaps of most importance, he should speak directly to his listeners and in a voice clear and loud enough to be heard distinctly throughout the courtroom.

NORMAN M. LITTELL,
Assistant Attorney General, Lands Division, Department of Justice.

Yearly rates of depreciation ¹

BUILDINGS

	Masonry, brick, con- crete, etc. (fireproof)	Masonry (fire re- sistant)	Masonry with frame interior	Frame
	Percent	Percent	Percent	Percent
Apartments and flats, without elevators.....	2½	2½	3½	4
Barns and sheds.....	2	2	2	4
Dwellings:				
1-family.....	2	2	2	3
2-, 3-, or 4-family.....	2½	2½	3	3½
Factories.....	2½	2½	3½	4
Garages:				
Private.....	2	2½	2½	4
Public.....	2	2½	3½	5
Grain elevator buildings.....	2	2½	3	4
Hotels and elevator apartments.....	2½	3½	4	4½
Loft buildings.....	2½	2½	3½	4
Machine shops.....	2½	3	3½	4
Mill-type buildings.....	2½	2½	3½	5
Office buildings.....	2½	2½	3½	4
Row houses.....	2½	2½	2½	3½
Stores.....	2	2½	2½	3½
Stores, 1 or 2 stories, of rooms or apartments.....	2½	2½	3½	4
Theaters.....	3	4	4½	5
Warehouses.....	2	2	2½	2½

BUILDING EQUIPMENT

	Percent
Elevators:	
Freight.....	4
Passenger.....	5
Heating systems:	
Boilers and furnaces.....	5
Radiators.....	4
Lighting systems:	
Conduits, fittings, and wiring.....	4
Fixtures.....	6½
Plumbing: Fixtures, bathroom and kitchen.....	4
Pipes:	
Iron:	
Cold-water.....	3½
Hot-water or steam.....	4

[These rates are indicative only of depreciation allowances, but the proper allowance to be made depends upon the peculiar circumstances of each case with proper allowances for functional and economic depreciation.]

¹ Taken from "Preliminary Report on Depreciation Studies" issued by the Bureau of Internal Revenue, Treasury Department.

9100 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

EXHIBIT No. 982

DEPARTMENT OF JUSTICE,
Washington, D. C., March 31, 1942.

CIRCULAR No. 3534; BULLETIN No. 11

To: United States attorneys and field attorneys of the Lands Division.
From: Norman M. Littell, Assistant Attorney General.
Subject: Memorandum of instructions re acquisitions under War Purposes Act as supplemented by title II, Second War Powers Act of March 27, 1942, Public, No. 507, Seventy-seventh Congress.

INSTRUCTIONS REGARDING ACQUISITIONS UNDER WAR PURPOSES ACT AS SUPPLEMENTED BY TITLE II, SECOND WAR POWERS ACT OF MARCH 27, 1942, PUBLIC, NO. 507, SEVENTY-SEVENTH CONGRESS

This bulletin is intended as an outline in summary form of the objectives of title II (drafted in the Lands Division) of the Second War Powers Act of 1942, approved by the President on March 27, 1942, a copy of which is enclosed, and to anticipate the principal questions which may arise from the great volume of condemnation cases which undoubtedly will be filed pursuant to this act. A manual could be written upon the subject of title II, but this bulletin will suffice as a general guide, leaving for specific instructions problems of particular cases.

I. OBJECTS AND PURPOSES OF TITLE II

1. *Origin.*—The act passed during the last war, known as the War Purposes or Imminence of War Act, approved July 2, 1917 (40 Stat. 241; 50 U. S. C. 171), as amended, permitted the securing of the immediate possession of lands needed by the War Department upon the filing of a petition for condemnation. The exercise of the powers conferred by the act was limited to the War Department and to the acquisition, for certain purposes only, of real property and interests therein, but not including personal property located thereon. The authority conferred by the act is unsuited to the expanded needs of preparation for present-day warfare. Title II of the Second War Powers Act is a condensed version of an act drafted in the Division to overcome the limitations of the previous act.

Title VI of the Second War Powers Act affects the requisitioning of personal property and is not involved in this discussion of title II.

2. *Principal effects of the act.*—The War Purposes Act, as supplemented by title II of the Second War Powers Act, now provides, in effect, that (1) the Secretary of War, the Secretary of the Navy, or any other officer or agency of the Government, when properly authorized, may exercise the powers granted by the act; (2) any real property, temporary use thereof, or other interests therein, together with any personal property located thereon or used therewith, may be acquired by purchase, donation, or condemnation for war purposes; (3) immediate possession may be taken upon or after the filing of the condemnation petition; (4) such property may be disposed of in accordance with section 1 (b) of the act of July 2, 1940 (54 Stat. 712; 41 U. S. C., note preceding sec. 1), by lease, sale, or other means of disposition, upon such terms and conditions as may be deemed advisable, and without regard to the provisions of the act of June 30, 1932 (47 Stat. 412; 40 U. S. C. 303b), which permits the leasing of properties of the United States for a money consideration only; (5) property acquired may be occupied, used, and improved prior to the approval of title by the Attorney General, as required by section 355 of the Revised Statutes, as amended; and (6) condemnation proceedings are to be conducted in accordance with the act of August 1, 1888 (25 Stat. 357, title 40, U. S. C., secs. 257, 258), or any other applicable Federal statute.

II. PREPARATION FOR ACQUISITIONS UNDER THE WAR PURPOSES ACT AS AMENDED

1. *Preliminary work in the field.*—Many acquisitions under the War Purposes Act of 1917 have already been effected for the War Department, prior to the amendment of the act mentioned above, without the filing of a declaration of taking and the deposit of estimated just compensation in court (40 U. S. C. 258a-e), and immediate possession has been taken. This type of acquisition greatly increases the difficulties of the legal arm of the Government and the

hardship on property owners dispossessed before compensation can be paid. As additional agencies of the Government avail themselves of the powers conferred by the amended War Purposes Act, the field staff of the Department of Justice will be called upon by representatives of acquiring agencies for advice and assistance.

2. *Description of property.*—In deference to need for speed, a perimeter description of the entire area to be acquired will generally be acceptable, instead of separate descriptions of each individual tract embraced in the area, such as accompany (with rare exceptions) declarations of taking. Whenever separate tract descriptions are readily available in the field in the first instance, or could be made available with little additional delay, they should be used, instead of merely a perimeter description. Even if a perimeter description is used initially, arrangements should be made immediately for securing as rapidly as possible the individual tract descriptions.

Representatives of the Department should immediately contact representatives of war agencies in their localities and offer all possible assistance in expediting preliminary preparation of the site, particularly as to legal descriptions sufficient to identify the property. Field representatives of acquiring agencies should give tract descriptions to field attorneys of the Department of Justice for their use in drafting petitions, amendments thereto and orders, to eliminate delay.

3. *Personal property.*—When personal property is taken under title II of the act of March 27, 1942, the acquiring agencies must immediately secure the following:

(a) An inventory of personal property showing what property was taken and what property was permitted to retain at the time of possession by the Government. Owners should be promptly advised at the time of acquisition, as to what properties they may remove. The inventory should be taken in the presence of the owner or his representative and, whenever possible, signed by him as evidence of its accuracy. If a manufacturing plant is taken, it will facilitate the listing of the property if different divisions or departments are inventoried by persons familiar with each division, such as a foreman, executive or other employee, accompanied by a representative of the acquiring agency.

(b) An appraisal of the personal property so inventoried made by competent appraisers qualified to testify as to the character and value of the personal property. The appraisal should be separate from the inventory.

4. *Appraisal of realty.*—It is imperative that the preparation of appraisal evidence should go forward simultaneously with the selection of the site and the preparation of legal descriptions, and even after a preliminary estimate of value is sent with the request for condemnation to the Washington office of the acquiring agency, definitive appraisal work should be continued. The agency acquiring the land is expected to employ expert appraisers, not less than two in number, qualified to testify in court in the event of a contest. Attorneys of the Department should be consulted in the selection of appraisers in order to (a) secure witnesses qualified to testify in court, (b) insure, wherever practicable, the inclusion in the agreement for their employment of a provision fixing their fees for testifying, (c) avoid duplication of work and needless expense which may result if the original appraisers were not qualified to testify, and (d) afford an opportunity for additional appraisals prior to any change in the physical features of the property through demolition.

5. *Title evidence.*—If there is reasonable probability that a proposed acquisition will be approved, arrangements should be made immediately for the preparation of title evidence. The acquiring agency should immediately (a) secure from the landowner any evidence of title they may possess or obtain and furnish; (b) let a contract to provide for the delivery of abstracts and certificates of title, consulting with the Department of Justice attorneys who will advise in respect to qualifications and facilities of local title and abstract companies to prepare satisfactory title evidence. In advising the representatives of acquiring agencies the field representatives of the Department of Justice should be guided generally by the field instructions as supplemented by Lands Division Bulletin No. 8 of November 26, 1941. Special instructions will be given in respect to title evidence for particular cases involving the acquisition of interests less than fee simple. The utmost consideration should be given to all factors which will expedite the procurement of the title evidence so that distribution of just compensation to property owners may be accelerated.

III. THE INSTITUTION AND CONDUCT OF CONDEMNATION PROCEEDINGS

Requests for condemnation, frequently embracing a large area and numerous tracts in one case and asking that an order of immediate possession be obtained, will be forwarded by the acquiring agencies to the Department of Justice. Immediately thereafter, specific instructions as to the proceedings, frequently by telegraph or telephone, will be given to field representatives of the Department of Justice. Generally, the procedure will be as follows:

1. *Petition in condemnation and order of immediate possession.*—Whenever possible field attorneys will be given advance notice by the Lands Division of the proposed condemnation to permit collaboration with the field officer of the acquiring agencies in possession of all material information, or advance notice may be given by such field officer. When so informed, field representatives of the Department of Justice should prepare a draft of the petition in condemnation and order of immediate possession to facilitate immediate filing upon receipt of instructions, and a proposed order of immediate possession should also be prepared. Care should be taken in the drafting of petitions to properly allege the War Purposes Act, the Second War Powers Act, the General Condemnation Act of August 1, 1888 (*supra*), the Authorizing Act and the Appropriation Act. The petition should not include allegations with respect to the possibility of the dismissal of tracts from the proceeding nor that title to any tract or tracts will be taken pursuant to the Declaration of Taking Act, nor that there has been inability to agree with the owners as to price.

While immediate possession is a matter of right without a court order, an order should be secured in each instance to definitely fix the date of possession and provide for legal notice thereof. The construction officer of the acquiring agency should accompany the field representative of the Lands Division when the order of possession is submitted to the court, unless, in the opinion of the field attorney, this is unnecessary, to advise the court as to the need for possession of all or part of the area. Possession should be requested only when essential, so that unnecessary hardship on owners of property not in the path of immediate construction work may be obviated.

2. *Negotiations and settlements with landowners.*—Landowners should be advised that even though condemnation proceedings have been filed, negotiations for amicable settlements will be carried on. During the ensuing period after filing the petition in condemnation, the following steps should be taken as rapidly as possible: (a) Procurement of complete title and appraisal data; (b) amendment of petition, correcting descriptions and impleading all necessary parties, (c) service of process, either actual or constructive; (d) appointment of commissioners, when necessary to effect service (see *infra*); and (e) field representatives of the acquiring agency or the Lands Division will negotiate for settlement with the owners.

Settlement negotiations, when successful, will in effect result in direct purchases by the acquiring agency which will generally be consummated by voluntary conveyances, but it should be noted that the transactions may also be consummated by entry of judgments with or without the filing of declarations of taking. When the acquisition is made by voluntary conveyance, the option, proposed deed and title evidence will be submitted to the Department of Justice for preliminary approval of title by the Attorney General and then returned to the field, together with the check for the agreed amount for closing the transaction under the direction of the Department of Justice field attorney. Tracts so conveyed will be dismissed from the proceeding.

When the transaction is consummated in the proceeding, a judgment will be entered and the acquiring agency will be requested to furnish promptly a check in the agreed amount which will be transmitted to the field for deposit in the court and immediate distribution.

3. *Declarations of taking to be filed on remaining tracts.*—As quickly as it can be determined that no settlement is to be effected, or if the condition of title does not warrant the acquisition by direct purchase, and in any event not later than 60 days after the filing of the petition, declaration of taking should be filed on the remaining tracts and the estimated just compensation for those tracts deposited in court under the Declaration of Taking Act (40 U. S. C. A. 258a-e). After the filing of declarations of taking, the cases must be dispatched with all possible speed to mitigate the further hardship to the owners resulting from loss of use of their property without payment of just compensation, and in such cases advance distribution should be effected before the final determination

of the ultimate just compensation. State statutes fixing the date when taxes become a lien should be considered in determining when to file declarations of taking, to avoid obvious hardship on landowners who might otherwise be forced to pay taxes for periods during which they have had no beneficial use of the land.

4. *Coordination between departments after declaration of taking filed.*—The field representatives of the Department of Justice should keep in close contact with the project managers or local representatives of the acquiring agencies in order to determine as soon as possible (1) the time when existing improvements on the land will be demolished or personal property removed or destroyed, and (2) when it appears reasonably certain that no settlements will be effected with a former owner, so that in either of the foregoing events, or where doubt exists as to the time of demolition or removal, arrangements may be made to have the property adequately appraised by the competent witnesses who can testify for the Government. Authority for the employment of appraisers and photographers, where these are necessary to supplement those employed by the acquiring agencies, should be acquired in the usual manner by submitting forms 25B.

Field representatives of the acquiring agency should give equal priority in the procurement of evidence of title and curative material to acquisitions by voluntary conveyance and those acquired by declaration of taking.

After declarations of taking have been filed negotiations for settlement will be the responsibility of the Department of Justice representatives, with the assistance of the negotiators of the War Department or other agency when the latter's services are requested by the Department of Justice.

5. *Commissioners.*—Where local procedural statutes require the appointment of commissioners and a view of the premises by them, the commissioners should be appointed and taken to view the land and improvements before any physical changes are made.

The court should be requested to instruct commissioners to take no steps, such as the holding of hearings or the filing of reports as to valuation, which would prejudice or interfere with the negotiations for voluntary settlement with property owners prior to the filing of declaration of taking.

6. *Disposition of property.*—The disposition of property during the pendency of the proceeding when no agreement has been reached as to the just compensation will be controlled by regulations of each acquiring agency but Department of Justice attorneys should be informed before removal of the property.

7. *Confidential information to be protected.*—In the present acquisition of lands for war purposes, representatives of the Department of Justice must of necessity be furnished with information of a highly confidential nature, and it is essential that the utmost caution shall be used to prevent any improper or ill-advised dissemination of such knowledge. Particularly, allegations in pleadings, statements in notices and oral statements made in open court, either by witnesses or counsel and statements made during all conferences of the nature of the proposed use of the property, should be limited to the nature of the use as stated in the letter from the acquiring agency requesting condemnation, with no elaboration whatever.

When the pleadings, plats, documents, etc., appear to the field representatives to be of a confidential nature, the court should be requested to direct the clerk to seal the record and to permit acquisitions thereto only in the discretion of the court, and where deemed necessary trials and hearings should be closed to the public.

Appraisal information should be considered as of a confidential nature under all circumstances.

IV. JURISDICTION, EXCLUSIVE OR PARTIAL

While the Second War Powers Act does not contain any provisions relating to the obtaining of exclusive or partial jurisdiction in the United States over lands or interests therein, the very fact that this act does provide for the acquisition of lands makes those lands subject to the operation of section 355, Revised Statutes, as amended by the act of October 9, 1940 (54 Stat. 1083). Unquestionably a great amount of the land acquired under the Second War Powers Act will be put to a use requiring that exclusive or partial jurisdiction thereover be in the United States. Your attention is called to the last paragraph of section 355, as amended by the act of October 9, 1940, which reads:

"Notwithstanding any other provision of law, the obtaining of exclusive jurisdiction in the United States over lands or interests therein which have been or

shall hereafter be acquired by it shall not be required; but *the head or other authorized officer of any department or independent establishment or agency of the Government may*, in such cases and at such times as he may deem desirable *accept or secure from the State* in which any lands or interests therein under his immediate jurisdiction, custody, or control are situated, *consent to or cession of such jurisdiction, exclusive or partial*, not therefore obtained, *over any such lands or interests as he may deem desirable and indicate acceptance of such jurisdiction on behalf of the United States by filing a notice of such acceptance with the Governor of such State or in such other manner as may be prescribed by the laws of the State where such lands are situated*. Unless and until the United States has accepted jurisdiction over lands hereafter to be acquired as aforesaid, it shall be conclusively presumed that no such jurisdiction has been accepted." [Italics supplied.]

Requests to obtain either exclusive or partial jurisdiction under the above provision should be directed by the local representatives of the acquiring agencies to the heads of their respective departments.

SEVENTY-SEVENTH CONGRESS OF THE UNITED STATES OF AMERICA; AT THE SECOND SESSION BEGUN AND HELD AT THE CITY OF WASHINGTON ON MONDAY, THE FIFTH DAY OF JANUARY, ONE THOUSAND NINE HUNDRED AND FORTY-TWO

AN ACT To further expedite the prosecution of the war

[Public No. 507, 77th Cong., approved March 27, 1942]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—EMERGENCY POWERS OF THE INTERSTATE COMMERCE COMMISSION OVER MOTOR AND WATER CARRIERS

SEC. 101. Section 204 of the Interstate Commerce Act, as amended (U. S. C., 1940 ed., title 49, sec. 304), is hereby amended by adding after subsection (d) thereof the following:

"(e) The Commission shall have authority with respect to motor carriers, to be exercised under similar circumstances and procedure, equivalent to the authority it has with respect to other carriers under section 1 (15) of part I, and shall have authority, to the extent necessary to facilitate the prosecution of the war and not in contravention of State laws and regulations with respect to sizes and weights of motor vehicles, to make reasonable directions with respect to equipment, service, and facilities of motor carriers, and to require the joint use of equipment, terminals, warehouses, garages, and other facilities; and motor carriers shall be subject to the same penalties for failure to comply with action taken by the Commission under this paragraph as other carriers for failure to comply with action taken by the Commission under section 1 (15) of part I.

"(f) Notwithstanding any other applicable provision of this Act, to the extent that it may be in the public interest, the Commission may modify, change, suspend, or waive any order, certificate, permit, license, rule, or regulation issued under this part."

SEC. 102. Subsection (a) of section 210a of said Act, as amended (U. S. C., 1940 ed., title 49, sec. 310a (a)), is hereby amended by striking out the words "but for not more than an aggregate of one hundred and eighty days."

SEC. 103. Subsection (a) of section 311 of said Act, as amended (U. S. C., 1940 ed., title 49, sec. 911 (a)) is hereby amended by striking out the words "but not for more than an aggregate of one hundred and eighty days."

TITLE II—ACQUISITION AND DISPOSITION OF PROPERTY

SEC. 201. The Act of July 2, 1917 (40 Stat. 241), entitled "An Act to authorize condemnation proceedings of lands for military purposes," as amended, is hereby amended by adding at the end thereof the following section:

"SEC. 2. The Secretary of War, the Secretary of the Navy, or any other officer, board, commission, or governmental corporation authorized by the President, may acquire by purchase, donation, or other means of transfer, or may cause proceedings to be instituted in any court having jurisdiction of such proceedings, to acquire by condemnation, any real property, temporary use thereof, or other

interest therein, together with any personal property located thereon or used therewith, that shall be deemed necessary, for military, naval, or other war purposes, such proceedings to be in accordance with the Act of August 1, 1888 (25 Stat. 357), or any other applicable Federal statute, and may dispose of such property or interest therein by sale, lease, or otherwise, in accordance with section 1 (b) of the Act of July 2, 1940 (54 Stat. 712). Upon or after the filing of the condemnation petition, immediate possession may be taken and the property may be occupied, used, and improved for the purposes of this Act, notwithstanding any other law. Property acquired by purchase, donation, or other means of transfer may be occupied, used, and improved, for the purposes of this section prior to the approval of title by the Attorney General as required by section 355 of the Revised Statutes, as amended."

TITLE III—PRIORITIES POWERS

SEC. 301. Subsection (a) of section 2 of the Act of June 28, 1940 (54 Stat. 676), entitled "An Act to expedite national defense, and for other purposes," as amended by the Act of May 31, 1941 (Public Law Numbered 89, Seventy-seventh Congress), is hereby amended to read as follows:

"SEC. 2 (a) (1) That whenever deemed by the President of the United States to be in the best interests of the national defense during the national emergency declared by the President on September 8, 1939, to exist, the Secretary of the Navy is hereby authorized to negotiate contracts for the acquisition, construction, repair, or alteration of complete naval vessels or aircraft, or any portion thereof, including plans, spare parts, and equipment therefor, that have been or may be authorized, and also for machine tools and other similar equipment, with or without advertising or competitive bidding upon determination that the price is fair and reasonable. Deliveries of material under all orders placed pursuant to the authority of this paragraph and all other naval contracts or orders and deliveries of material under all Army contracts or orders shall, in the discretion of the President, take priority over all deliveries for private account or for export: *Provided*, That the Secretary of the Navy shall report every three months to the Congress the contracts entered into under the authority of this paragraph: *Provided further*, That contracts negotiated pursuant to the provisions of this paragraph shall not be deemed to be contracts for the purchase of such materials, supplies, articles, or equipment as may usually be bought in the open market within the meaning of section 9 of the Act entitled 'An Act to provide conditions for the purchase of supplies and the making of contracts by the United States, and for other purposes,' approved June 30, 1936 (49 Stat. 2036; U. S. C., Supp. V, title 41, secs. 35-45): *Provided further*, That nothing herein contained shall relieve a bidder or contractor of the obligation to furnish the bonds under the requirements of the Act of August 24, 1935 (49 Stat. 793; 40 U. S. C. 270 (a) to (d)): *Provided further*, That the cost-plus-a-percentage-of-cost system of contracting shall not be used under the authority granted by this paragraph to negotiate contracts; but this proviso shall not be construed to prohibit the use of the cost-plus-a-fixed-fee form of contract when such use is deemed necessary by the Secretary of the Navy: *And provided further*, That the fixed fee to be paid the contractor as a result of any contract entered into under the authority of this paragraph, or any War Department contract entered into in the form of cost plus a fixed fee, shall not exceed 7 per centum of the estimated cost of the contract (exclusive of the fee as determined by the Secretary of the Navy or the Secretary of War, as the case may be).

"(2) Deliveries of material to which priority may be assigned pursuant to paragraph (1) shall include, in addition to deliveries of material under contracts or orders of the Army or Navy, deliveries of material under—

"(A) Contracts or orders for the government of any country whose defense the President deems vital to the defense of the United States under the terms of the Act of March 11, 1941, entitled 'An Act to promote the defense of the United States';

"(B) Contracts or orders which the President shall deem necessary or appropriate to promote the defense of the United States;

"(C) Subcontracts or suborders which the President shall deem necessary or appropriate to the fulfillment of any contract or order as specified in this subsection (a).

Deliveries under any contract or order specified in this subsection (a) may be assigned priority over deliveries under any other contract or order; and the

President may require acceptance of and performance under such contracts or orders in preference to other contracts or orders for the purpose of assuring such priority. Whenever the President is satisfied that the fulfillment of requirements for the defense of the United States will result in a shortage in the supply of any material or of any facilities for defense or for private account or for export, the President may allocate such material or facilities in such manner, upon such conditions and to such extent as he shall deem necessary or appropriate in the public interest and to promote the national defense.

"(3) The President shall be entitled to obtain such information from, require such reports and the keeping of such records by, make such inspection of the books, records, and other writings, premises or property of, any person (which, for the purpose of this subsection (a), shall include any individual, partnership, association, business trust, corporation, or any organizer group of persons, whether incorporated or not), and make such investigations, as may be necessary or appropriate, in his discretion, to the enforcement or administration of the provisions of this subsection (a).

"(4) For the purpose of obtaining any information, verifying any report required, or making any investigation pursuant to paragraph (3), the President may administer oaths and affirmations, and may require by subpoena or otherwise the attendance and testimony of witnesses and the production of any books or records or an other documentary or physical evidence which may be relevant to the inquiry. Such attendance and testimony of witnesses and the production of such books, records, or other documentary or physical evidence may be required at any designated place from any State, Territory, or other place subject to the jurisdiction of the United States: *Provided*, That the production of a person's books, records, or other documentary evidence shall not be required at any place other than the place where such person resides or transacts business, if, prior to the return date specified in the subpoena issued with respect thereto, such person furnishes the President with a true copy of such books, records, or other documentary evidence (certified by such person under oath to be a true and correct copy) or enters into a stipulation with the President as to the information contained in such books, records, or other documentary evidence. Witnesses shall be paid the same fees and mileage that are paid witnesses in the courts of the United States. No person shall be excused from attending and testifying or from producing any books, records, or other documentary evidence or certified copies thereof or physical evidence in obedience to any such subpoena, or in any action or proceeding which may be instituted under this subsection (a), on the ground that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; but no individual shall be subject to prosecution and punishment or to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled to testify or produce evidence, documentary or otherwise, after having claimed his privilege against self-incrimination, except that any such individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying. The President shall not publish or disclose any information obtained under this paragraph which the President deems confidential or with reference to which a request for confidential treatment is made by the person furnishing such information, unless the President determines that the withholding thereof is contrary to the interest of the national defense and security; and anyone violating this provision shall be guilty of a felony and upon conviction thereof shall be fined not exceeding \$1,000, or be imprisoned not exceeding two years, or both.

"(5) Any person who willfully performs any act prohibited, or willfully fails to perform any act required by any provision of this subsection (a) or any rule, regulation, or order thereunder, whether heretofore or hereafter issued, shall be guilty of a misdemeanor, and shall, upon conviction, be fined not more than \$10,000 or imprisoned for not more than one year, or both.

"(6) The district courts of the United States and the United States courts of any Territory or other place subject to the jurisdiction of the United States and the courts of the Philippine Islands shall have jurisdiction of violations of this subsection (a) or any rule, regulation, or order or subpoena thereunder, whether heretofore or hereafter issued, and of all civil actions under this subsection (a) to enforce any liability or duty created by, or to enjoin any violation of this subsection (a) or any rule, regulation, order, or subpoena thereunder whether heretofore or hereafter issued. Any criminal proceeding on account of any such violation may be brought in any district in which any act, failure to

act, or transaction constituting the violation occurred. Any such civil action may be brought in any such district or in the district in which the defendant resides or transacts business. Process in such cases, criminal or civil, may be served in any district wherein the defendant resides or transacts business or wherever the defendant may be found; and subpoena for witnesses who are required to attend a court in any district in any such case may run into any other district. No costs shall be assessed against the United States in any proceeding under this subsection (a).

"(7) No person shall be held liable for damages or penalties for any default under any contract or order which shall result directly or indirectly from compliance with this subsection (a) or any rule, regulation, or order issued thereunder, notwithstanding that any such rule, regulation, or order shall thereafter be declared by judicial or other competent authority to be invalid.

"(8) The President may exercise any power, authority, or discretion conferred on him by this subsection (a), through such department, agency, or officer of the Government as he may direct and in conformity with any rules or regulations which he may prescribe."

TITLE IV—PURCHASE BY FEDERAL RESERVE BANKS OF GOVERNMENT OBLIGATIONS

SEC. 401. Subsection (b) of section 14 of the Act of December 23, 1913 (38 Stat. 265), otherwise known as the Federal Reserve Act, as amended, is hereby amended by striking out the proviso therein and inserting in lieu thereof the following: "*Provided*, That any bonds, notes, or other obligations which are direct obligations of the United States or which are fully guaranteed by the United States as to principal and interest may be bought and sold without regard to maturities either in the open market or directly from or to the United States; but all such purchases and sales shall be made in accordance with the provisions of section 12A of this Act and the aggregate amount of such obligations acquired directly from the United States which is held at any one time by the twelve Federal Reserve banks shall not exceed \$5,000,000,000."

TITLE V—WAIVER OF NAVIGATION AND INSPECTION LAWS

SEC. 501. The head of each department or agency responsible for the administration of the navigation and vessel inspection laws is directed to waive compliance with such laws upon the request of the Secretary of the Navy or the Secretary of War to the extent deemed necessary in the conduct of the war by the officer making the request. The head of such department or agency is authorized to waive compliance with such laws to such extent and in such manner and upon such terms as he may prescribe either upon his own initiative or upon the written recommendation of the head of any other Government agency whenever he deems that such action is necessary in the conduct of the war.

TITLE VI—POWER TO REQUISITION

SEC. 601. The last paragraph of section 1 of the Act of October 16, 1941 (55 Stat. 742), entitled "An Act to authorize the President of the United States to requisition property required for the defense of the United States," is amended by deleting subdivision (3) thereof, so that the paragraph will read as follows: "Nothing contained in this Act shall be construed—

"(1) to authorize the requisitioning or require the registration of any fire-arms possessed by an individual for his personal protection or sport (and the possession of which is not prohibited or the registration of which is not required by existing law),

"(2) to impair or infringe in any manner the right of any individual to keep and bear arms."

SEC. 602. The second sentence of the first paragraph of section 1 of the Act of October 16, 1941 (55 Stat. 742), entitled "An Act to authorize the President of the United States to requisition property required for the defense of the United States," is amended by striking out the words "on the basis of the fair market value of the property at" and inserting in lieu thereof the words "as of"; and at the end of such sentence, before the period, inserting the words ", in accordance with the provision for just compensation in the fifth amendment to the Constitution of the United States," so that such sentence will read as follows: "The President shall determine the amount of the fair and just com-

pensation to be paid for any property requisitioned and taken over pursuant to this Act and the fair value of any property returned under section 2 of this Act, but each such determination shall be made as of the time it is requisitioned or returned, as the case may be, in accordance with the provision for just compensation in the fifth amendment to the Constitution of the United States."

TITLE VII—POLITICAL ACTIVITY

SEC. 701. Subsection (a) of section 9 of the Act of August 2, 1939 (53 Stat. 1148), entitled "An Act to prevent pernicious political activities," as amended, is hereby amended by adding in the second sentence after the word "thereof" the words "except a part-time officer or part-time employee without compensation or with nominal compensation serving in connection with the existing war effort, other than in any capacity relating to the procurement or manufacture of war material."

TITLE VIII—PROTECTION OF WAR INDUSTRIES AND PROTECTION OF RESOURCES SUBJECT TO HAZARDS OF FOREST FIRES

SEC. 801. The President is empowered to direct the Administrator of the Federal Security Agency to assign the manpower of the Civilian Conservation Corps to the extent necessary to protect the munitions, aircraft, and other war industries, municipal water supply, power and other utilities, and to protect resources subject to the hazards of forest fires.

TITLE IX—FREE POSTAGE FOR SOLDIERS, SAILORS, AND MARINES

SEC. 901. Any first-class letter mail matter admissible to the mails as ordinary mail matter which is sent by a member of the military or naval forces of the United States (including the United States Coast Guard), while on active duty or in the active military or naval service of the United States, to any person in the United States, including the Territories and possessions thereof, shall be transmitted in the mails free of postage, subject to such rules and regulations as the Postmaster General shall prescribe.

TITLE X—NATURALIZATION OF PERSONS SERVING IN THE ARMED FORCES OF THE UNITED STATES DURING THE PRESENT WAR

SEC. 1001. The Act of October 14, 1940 (54 Stat. 1137; U. S. C., 1940 ed., title 8, secs. 501-907), entitled "An Act to revise and codify the nationality laws of the United States into a comprehensive nationality code," is hereby amended by adding thereto a new title, as follows:

"TITLE III

"SEC. 701. Notwithstanding the provisions of sections 303 and 326 of this Act, any person not a citizen, regardless of age, who has served or hereafter serves honorably in the military or naval forces of the United States during the present war and who, having been lawfully admitted to the United States, including its Territories and possessions, shall have been at the time of his enlistment or induction a resident thereof, may be naturalized upon compliance with all the requirements of the naturalization laws except that (1) no declaration of intention and no period of residence within the United States or any State shall be required; (2) the petition for naturalization may be filed in any court having jurisdiction regardless of the residence of the petitioner; (3) the petitioner shall not be required to speak the English language, sign his petition in his own handwriting, or meet any educational test; and (4) no fee shall be charged or collected for making, filing, or docketing the petition for naturalization, or for the final hearing thereon, or for the certification of naturalization, if issued: *Provided, however,* That (1) there shall be included in the petition the affidavits of at least two credible witnesses, citizens of the United States, stating that each such witness personally knows the petitioner to be a person of good moral character, attached to the principles of the Constitution of the United States, and well disposed to the good order and happiness of the United States, (2) the service of the petitioner in the military or naval forces of the United States shall be proved by affidavits, forming part of the petition, of at least two citizens of the United

States, members or former members during the present war of the military or naval forces of the noncommissioned or warrant officer grade or higher (who may be the witnesses described in clause (1) of this proviso), or by a duly authenticated copy of the record of the executive department having custody of the record of petitioner's service, showing that the petitioner is or was during the present war a member serving honorably in such armed forces, and (3) the petition shall be filed not later than one year after the termination of the effective period of those titles of the Second War Powers Act, 1942, for which the effective period is specified in the last title thereof. The petitioner may be naturalized immediately if prior to the filing of the petition the petitioner and the witnesses required by the foregoing proviso shall have appeared before and been examined by a representative of the Immigration and Naturalization Service.

"SEC. 702. During the present war any person entitled to naturalization under section 701 of this Act, who while serving honorably in the military or naval forces of the United States is not within the jurisdiction of any court authorized to naturalize aliens, may be naturalized in accordance with all the applicable provisions of section 701 without appearing before a naturalization court. The petition for naturalization of any petitioner under this section shall be made and sworn to before, and filed with, a representative of the Immigration and Naturalization Service designated by the Commissioner or a Deputy Commissioner, which designated representative is hereby authorized to receive such petition in behalf of the Service, to conduct hearings thereon, to take testimony concerning any matter touching or in any way affecting the admissibility of any such petitioner for naturalization, to call witnesses, to administer oaths, including the oath of the petitioner and his witnesses to the petition for naturalization and the oath of renunciation and allegiance prescribed by section 335 of this Act, and to grant naturalization, and to issue certificates of citizenship: *Provided*, That the record of any proceedings hereunder, together with a copy of the certificate of citizenship, shall be forwarded to and filed by the clerk of a naturalization court in the district in which the petitioner is a resident and be made a part of the record of the court.

"SEC. 703. The ninety days' notice required by subsection (b) of section 326 of this Act to be given by the clerk of the naturalization court to the Commissioner may be waived by the Commissioner in his discretion. In any petition in which such notice is waived the Commissioner shall cause the clerk of court to be notified to that effect.

"SEC. 704. The provisions of this title shall not apply to (1) any person who during the present war is dishonorably discharged from the military or naval forces or is discharged therefrom on account of his alienage, or (2) any conscientious objector who performed no military duty whatever or refused to wear the uniform: *Provided*, That citizenship granted pursuant to this title may be revoked as to any person subsequently dishonorably discharged from the military or naval forces in accordance with Section 338 of this Act; and such ground for revocation shall be in addition to any other provided by law.

"SEC. 705. The Commissioner, with the approval of the Attorney General, shall prescribe and furnish such forms, and shall make such rules and regulations, as may be necessary to carry into effect the provisions of this Act.

TITLE XI—ACCEPTANCE OF CONDITIONAL GIFTS TO FURTHER THE WAR PROGRAM

SEC. 1101. To further the war program of the United States, the Secretary of the Treasury is authorized to accept or reject on behalf of the United States any gift of money or other property, real or personal, or services, made on condition that it be used for a particular war purpose.

SEC. 1102. The Secretary of the Treasury may convert into money, at the best terms available, any such gift of property other than money.

SEC. 1103. There shall be established on the books of the Treasury a special deposit account to be designated as the "War Contributions Fund," into which shall be deposited all money received as a result of such gifts.

SEC. 1104. The Secretary of the Treasury, in order to effectuate the purposes for which gifts accepted under this title are made, shall from time to time allocate the money in such special deposit account to such of the various appropriations available for the purchase of war material and the furtherance of the war program of the United States as in his judgment will best effectuate the intent of the donors, and such money is hereby appropriated and shall be available for expenditure for the purposes of the appropriations to which allocated.

Sec. 1105. The Secretary of the Treasury shall include in his Annual Report to the Congress a summary of the gifts made and accepted under this title.

Sec. 1106. Whoever shall solicit any gift of money or other property, and represent that such gift is being solicited for the use of the United States, with the intention of embezzling, stealing, or purloining such gift, or converting the same to any other use or purpose, or whoever, having come into possession of any money or property which has been donated by the owner thereof for the use of the United States, shall embezzle, steal, or purloin such money or property, or convert the same to any other use or purpose, shall be guilty of a felony and upon conviction thereof shall be fined not more than \$5,000 or imprisoned for not more than five years, or both.

TITLE XII—COINAGE OF 5-CENT PIECES

Sec. 1201. Notwithstanding any other provision of law, the Director of the Mint shall cause the metallic content of all 5-cent pieces coined after the effective date of this title and prior to December 31, 1946, to be one-half silver and one-half copper: *Provided*, That the Director of the Mint, with the approval of the Secretary of the Treasury and the Chairman of the War Production Board, is authorized to vary the proportions of silver and copper and to add other metals if such action would be in the public interest. Such 5-cent pieces shall be deemed to be minor coins or coinage and not silver coins, subsidiary silver coins, silver coinage, or subsidiary silver coinage within the meaning of the monetary laws of the United States.

Sec. 1202. For the coinage of such 5-cent pieces the Secretary of the Treasury is hereby authorized to allocate to the Director of the Mint, at such times and in such amounts as the Secretary deems necessary, any silver bullion in the monetary stocks of the United States not then held for redemption of any outstanding silver certificates. Silver so allocated shall be accounted for by entries in the fund established for the purchase of metal for minor coinage: *Provided*, That the value of any silver bullion accounted for in said fund shall not be considered for the purpose of determining the statutory limit of said fund: *Provided further*, That the gain from the minor coinage provided for by this title shall be accounted for by entries in the minor coinage profit fund.

Sec. 1203. No silver-copper ingots shall be used for the minor coinage provided for by this title which differ from the legal standard by more than ten-thousandths. In adjusting the weight of such minor coins there shall be no greater deviation allowed than four grains for each piece.

Sec. 1204. For the purpose of section 3529 of the Revised Statutes (U. S. C., title 31, sec. 341), the 5-cent pieces provided for by this title shall be deemed to be copper.

Sec. 1205. Upon redemption any 5-cent pieces coined in accordance with the provisions of this title shall after December 31, 1946, be allocated to the Director of the Mint for melting and for subsidiary silver coinage. Any 5-cent pieces coined in accordance with the provisions of this title but not issued by the Mint may after December 31, 1946, be allocated, in such amounts and at such times as the Secretary of the Treasury in his discretion may determine, to the Director of the Mint for melting and for subsidiary silver coinage. All 5-cent pieces allocated to the Director of the Mint in accordance with this section shall be accounted for by entries in the fund established for the purchase of silver bullion for subsidiary silver coinage. Upon coinage into subsidiary silver coins of the metal contained in the 5-cent pieces so allocated, the gain shall be accounted for by entries in the silver-profit fund.

Sec. 1206. This title shall become effective sixty days after approval.

TITLE XIII—INSPECTION AND AUDIT OF WAR CONTRACTORS

Sec. 1301. The provisions of section 10 (1) of an Act approved July 2, 1926 (44 Stat. 787; 10 U. S. C. 310 (1)) (giving the Government the right to inspect the plant and audit the books of certain Contractors), shall apply to the plant, books, and records of any contractor with whom a defense contract has been placed at any time after the declaration of emergency on September 8, 1939, and before the termination of the present war: *Provided*, That, for the purpose of this title, the term "defense contract" shall mean any contract, subcontract, or order placed in furtherance of the defense or war effort: *And provided further*, That the inspection and audit authorized herein, and the determination whether

a given contract is a "defense contract" as defined above, shall be made by a governmental agency or officer designated by the President, or by the Chairman of the War Production Board.

SEC. 1302. For the purpose of obtaining any information or making any inspection or audit pursuant to section 1301, any agency acting hereunder, or the Chairman of the War Production Board, as the case may be, may administer oaths and affirmations and may require by subpoena or otherwise the attendance and testimony of witnesses and the production of any books or records or any other documentary or physical evidence which may be deemed relevant to the inquiry. Such attendance and testimony of witnesses and the production of such books, records, or other documentary or physical evidence may be required at any designated place from any State, Territory, or other place subject to the jurisdiction of the United States: *Provided*, That the production of a person's books, records, or other documentary evidence shall not be required at any place other than the place where such person resides or transacts business, if, prior to the return date specified in the subpoena issued with respect thereto, such person furnishes such agency or the Chairman of the War Production Board, as the case may be, with a true copy of such books, records, or other documentary evidence (certified by such person under oath to be a true and correct copy) or enters into a stipulation with such agency or the Chairman of the War Production Board, as the case may be, as to the information contained in such books, records, or other documentary evidence. Witnesses shall be paid the same fees and mileage that are paid witnesses in the courts of the United States. No person shall be excused from attending and testifying or from producing any books, records, or other documentary evidence or certified copies thereof or physical evidence in obedience to any such subpoena, or in any action or proceeding which may be instituted under this section, on the ground that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; but no individual shall be subject to prosecution and punishment or to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled to testify or produce evidence, documentary or otherwise, after having claimed his privilege against self-incrimination, except that any such individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying. Such agency or the Chairman of the War Production Board shall not publish or disclose any information obtained under this title which such agency or the Chairman of the War Production Board deems confidential or with reference to which a request for confidential treatment is made by the person furnishing such information, unless such agency or the Chairman of the War Production Board determines that the withholding thereof is contrary to the interest of the national defense and security; and anyone violating this provision shall be guilty of a felony and upon conviction thereof shall be fined not exceeding \$1,000, or be imprisoned not exceeding two years, or both.

SEC. 1303. In case of contempt by, or refusal to obey a subpoena issued to, any person, any agency acting hereunder, or the Chairman of the War Production Board, as the case may be, may invoke the aid of any court of the United States within the jurisdiction of which any investigation or proceeding under this title is carried on, or where such person resides or carries on business, in requiring the attendance and testimony of witnesses and the production of books, records, or other documentary or physical evidence. Any such court may issue an order requiring such person to give testimony or produce any books, records, or other documentary or physical evidence touching the matter under investigation or in question; and any failure to obey such order of the court may be punished by such court as contempt thereof. All process in any such case may be served in the judicial district whereof such person is an inhabitant or wherever he may be found. Any person who shall, without just cause, fail or refuse to attend and testify or to answer any lawful inquiry or to produce books, records, or other documentary or physical evidence, if in his power to do so, in obedience to the subpoena of any agency acting hereunder, or the Chairman of the War Production Board, as the case may be, shall be guilty of a misdemeanor, and, upon conviction, shall be subject to a fine of not more than \$5,000, or to imprisonment for a term of not more than one year, or both.

SEC. 1304. For purposes of this title the term "person" shall include any individual, partnership, association, business trust, corporation, or any organized group of persons, whether incorporated or not.

TITLE XIV—UTILIZATION OF VITAL WAR INFORMATION

SEC. 1401. The Secretary of Commerce shall, at the direction of the President, and subject to such regulations as the President may issue, make such special investigations and reports of census or statistical matters as may be needed in connection with the conduct of the war, and, in carrying out the purpose of this section, dispense with or curtail any regular census or statistical work of the Department of Commerce, or of any bureau or division thereof. Any person who shall refuse or willfully neglect to answer any questions in connection with any special investigations made under this section, or who shall willfully give answers that are false, shall upon conviction thereof be fined not exceeding \$500 or imprisoned for a period of not exceeding sixty days, or both.

SEC. 1402. That notwithstanding any other provision of law, any record, schedule, report, or return, or any information or data contained therein, now or hereafter in the possession of the Department of Commerce, or any bureau or division thereof, may be made available by the Secretary of Commerce to any branch or agency of the Government, the head of which shall have made written request therefor for use in connection with the conduct of the war. The President shall issue regulations with respect to the making available of any such record, schedule, report, return, information or data, and with respect to the use thereof after the same has been made available. No person shall disclose or make use of any individual record, schedule, report, or return, or any information or data contained therein contrary to the terms of such regulations; and any person knowingly and willfully violating this provision shall be guilty of a felony and upon conviction thereof shall be fined not exceeding \$1,000, or be imprisoned not exceeding two years, or both.

SEC. 1403. For purposes of this title the term "person" shall include any individual, partnership, association, business trust, corporation, or any organized group of persons, whether incorporated or not.

TITLE XV—TIME LIMIT AND SHORT TITLE

SEC. 1501. Titles I to IX, inclusive, and titles XI and XIV of this Act, and the amendments to existing law made by any such title, shall remain in force only until December 31, 1944, or until such earlier time as the Congress by concurrent resolution, or the President, may designate, and after such amendments cease to be in force any provision of law amended thereby shall be in full force and effect as though this Act had not been enacted; but no court proceedings brought under any such title shall abate by reason of the termination hereunder of such title.

SEC. 1502. This Act may be cited as the "Second War Powers Act, 1942."

Speaker of the House of Representatives.

Vice President of the United States and President of the Senate.

EXHIBIT No. 983

REAL ESTATE MANUAL

JANUARY 26, 1943.

CHAPTER IV. APPRAISALS

SECTION 1. GENERAL POLICY

RE 401.01 *Policies and standards.*

(a) The general policies and appraisal standards hereinafter outlined shall govern all appraisal work undertaken in connection with lands being acquired for military or civil purposes.

(b) The appraiser must always bear in mind that he may be called upon in condemnation proceedings to establish the validity of his opinion. He must therefore familiarize himself and be guided by basic rules of trial evidence so that his testimony will be admissible and of probative value. Since, as a witness, he must be prepared to offer convincing testimony as to his estimate of the fair market value of the property as a whole rather than particular elements of

value, appraisals of the component elements of the land should be made by the same appraiser except that split appraisals may be made where specialized knowledge or skill is required for the appraisal of particular elements, such as oil, gas, coal, or timber. Where split appraisals are necessary, one of the appraisers must familiarize himself with the property as a whole so that he may be qualified to testify as to the value of the entire tract.

(c) In acquiring real estate, it is the policy of the War Department to deal with landowners in an impartial manner.

(d) The appraiser's conduct should at all times reflect a sincere desire on the part of the Government to consider carefully all evidence of market value and to encourage a cooperative attitude on the part of those who are called upon to vacate their homes and reestablish themselves elsewhere.

(e) Since the appraised valuations are confidential departmental information, the appraiser must be careful not to divulge his findings and opinions to anyone except his immediate superior or other appraisers engaged on the same project.

EXHIBIT No. 984

TODAY'S BEST BUYS IN HOTELS, APARTMENT BUILDINGS, AND COMMERCIAL BUILDINGS

OCEAN FRONT—Over 100 Rooms—Lincoln Road section. Private beach. Modern, fireproof. One of the finest. \$125,000 to handle. Net return is 9.9% while leased to government.

50-ROOM—41st St. section and Ocean. \$50,000 cash will handle. Net return is 9% while under Govt. lease.

50 ROOMS on Ocean. North Beach. Modern. Net return is 8.4% on cash investment of \$65,000 while under lease to government.

200 ROOM HOTEL, 3 blocks north of Lincoln road. Fireproof. Originally cost over \$700,000. \$75,000 cash will handle; now leased to government. Net return, 20.4% on cash invested.

58 ROOMS—Corner, in thirties; extra lot for addition. Cash required, \$60,000; will net 10.1% while leased to government.

24 UNITS—NORTH BEACH, south of 71st St. 2 new buildings on double lot. Now under Govt. lease. \$45,000 will handle.

10 UNITS (32 rooms)—\$15,000 CASH required. An exceptionally well built corner building facing south and east. Modern in every respect. Ideal for home and income.

20 UNITS (67 Rooms)—100% year-round location. Lincoln Road and Ocean section. Cash required, \$55,000. Will show 18% net on cash invested after deducting all expenses including maintenance, replacements, mortgage interest and amortization.

COLLINS AVENUE hotel site. One block to Lincoln Road. 150 ft. Some income. \$30,000 cash will handle.

LINCOLN ROAD CORNER BUILDING—100% location. Cash required, \$50,000. Shows 8.4% net return.

LINCOLN ROAD BUSINESS BUILDING, 100% location. Shows 12.7% net return. Cash required \$60,000. One of the best buys of any 100% business property.

OCEANFRONT BLOCK hotel site in the 30's. 200-ft. frontage. (Collins to Ocean). \$250,000; suitable terms.

LINCOLN ROAD 2-STORY BUSINESS BUILDING—50x150 ft. in the red now but in a location that is sure to become valuable. Priced ridiculously low. Only \$20,000 cash necessary to handle.

STRATEGICALLY LOCATED double corner hotel and apartment site. Roney Plaza section. \$25,000.

LINCOLN ROAD, BETWEEN PENNSYLVANIA and MERIDIAN—100 ft. Cash required, \$100,000. Shows 8% net return.

OCEANFRONT hotel site, North Beach. Private beach. 100-ft. frontage (Collins to Ocean). \$30,000.

OCEANFRONT hotel site between Lincoln Road and 23rd street. A beautiful plot. More than 500 ft. in depth. \$50,000 needed to handle.

My associates and I take a genuine interest in every investor's problems. We are certain our PERSONALIZED service will be helpful to you.

Upon request we will assist—NOT INFLUENCE—customers in the investment of their money in Miami Beach Real Estate. That this is the kind of service today's investors want is proved by the sales and leases of Miami Beach Real Estate that this office has made and which has created true friendship with our customers.

It is our belief that REAL ESTATE, along with Government Bonds, is the safest investment for the present and also for the peacetime years the future will bring.

B. E. BRONSTON, REALTOR

"A trustworthy real estate service"

605 Lincoln Road, Suite 709, Phone 5-5868

EXHIBIT No. 985

WAR DEPARTMENT,

Washington, D. C., February 21, 1944.

Re: Senate Investigation—Miami Beach Hotels.

HUGH FULTON,

Chief Counsel, Truman Committee,

449 Senate Office Building, Washington, D. C.

DEAR MR. FULTON: Following the recent investigation of the acquisition of hotels at Miami Beach by the Army by a subcommittee of the Truman committee, the War Department was requested to furnish additional information by your letter of January 11, 1944.

Complying with your request, the following information is submitted:

1. The total number of persons officially transported to and from Miami Beach, Fla., in connection with the Army Air Forces training program from February 18, 1942, up to and including January 14, 1944, was 768,448.

2. The average number of persons per week transported to and from Miami Beach, Fla., in accordance with the Army Air Forces program was 8,005.

3. The total number of freight cars transported to Miami Beach, Fla., in connection with the Army Air Force program were 3,050 carload lots received, 409 carload lots shipped for a total of 3,459 carload movements; involving a total of 139,311,028 pounds of freight.

In addition to the material requested, I believe the committee will be interested in the following.

Disbursements of the training command in Miami Beach, Fla., from the origin of the training program in Miami Beach on February 19, 1942, to May 1, 1942, were approximately \$750,000. This figure is not presently available with exactness. From May 1, 1942, through December 31, 1943, disbursements of the training command totaled \$77,934,115.10. For this latter period, the average gross disbursements per month were \$3,896,705.75. The largest monthly figure was for the month of March 1943, to wit, \$6,801,703.22. However, even in December of 1943 the disbursements totaled \$3,122,308.99. None of the above figures includes any payment by way of rental of leased property occupied by the Army Air Forces in Miami Beach.

During the hearings in Miami Beach the question of the administrative control of the hotels was raised by committee members. The Air Forces advises that the system of responsibility for and supervision of the treatment given the leased hotels by the occupying troops is as follows:

Group commanders in the basic training center at Miami Beach have been the responsible officers for hotels under their jurisdiction. The average group commander has 12 hotels. In all instances group commanders have at least 2 subordinate officers to whom responsibility for checking hotels daily is delegated. The group commander personally inspects each of his hotels weekly. In addition to this, the officer of the day of each training group makes a nightly inspection of each building occupied by troops. Complete inventory of leased prop-

erty is taken by group and squadron commanders each month. Noncommissioned officers are on duty at all times in the hotels to prevent damage by troops and to report any fire which might occur. The same procedure is established within the officer candidate school, except that squadron commanders are designated as the responsible officers.

Yours sincerely,

MILES H. KNOWLES,
Lieutenant Colonel, J. A. G. D.

(For Julius H. Amberg, Special Assistant to the Secretary of War.)

EXHIBIT No. 986

Total rentals paid for all leased facilities at Miami Beach, Fla., through Jan. 31, 1944 \$8,564,601.40
The peak rental month at Miami Beach, Fla., was June 1943.
Rentals in this month for all leased facilities came to----- 535,326.15

EXHIBIT No. 987

MIAMI BEACH, FLA.

Leased hotels retained by Army Air Forces

Name of hotel	Num-ber of rooms	Capac-ity in men	Annual rental	Name of hotel	Num-ber of rooms	Capac-ity in men	Annual rental
Abbey Hotel.....	52	161	\$14,700	Cavalier Hotel.....	54	146	\$12,000
Adams Hotel.....	60	222	14,400	Century Hotel.....	29	84	4,500
Alamac Hotel.....	100	280	26,250	Chesterfield Hotel.....	55	166	11,250
Alamo Hotel.....	40	148	11,000	Churchill Hotel and			
Albion Hotel.....	117	391	39,500	Apartments.....	40	156	10,800
Alden Hotel.....	73	232	18,400	Clay Hotel.....	93	226	15,000
Allen Hotel.....	42	121	13,000	Cleveland Hotel.....	76	228	22,500
Anchor Hotel.....	47	96	8,900	Clyde Hotel.....	50	112	12,500
Ann Morris Apartment				Collins Park Hotel.....	57	183	18,000
Hotel.....	31	80	5,800	Collins Plaza Hotel.....	53	183	12,000
Archway Ocean Villas.....	138	367	45,000	Colony Hotel.....	50	146	11,000
Arlene Arms Apart-				Commodore Hotel.....	50	151	10,500
ment Hotel.....	52	138	9,300	Congress Hotel.....	48	143	11,000
Atlantic Towers Hotel.....	125	250	42,000	Copley Plaza Hotel.....	73	216	18,250
Avalon Hotel and An-				Coral Reef Hotel.....	103	206	31,000
nex.....	64	207	19,000	Crescent Hotel.....	53	156	12,100
Azora Apartments.....	41	80	5,000	Cromwell Hotel.....	103	130	45,350
Bancroft Hotel.....	151	446	47,650	Croyden Arms Hotel			
Barbizon Apartment				and Apartment.....	103	456	31,000
Hotel.....	52	186	13,400	Dorchester Hotel.....	91	300	33,000
Barclay Plaza Hotel.....	66	270	17,650	Dorset Hotel.....	89	234	17,250
Beach Maisonettes.....	53	190	10,000	Drake Hotel.....	77	225	18,350
Beach Plaza Hotel.....	55	173	12,750	Edgewater Beach Hotel.....	75	227	17,400
Beacon Hotel.....	66	191	17,000	Edison Hotel.....	69	163	16,000
Belmar Hotel.....	127	484	47,000	Edsinger Hotel.....	54	147	12,500
Belmont Hotel.....	31	96	6,600	Embassy Hotel.....	100	305	26,000
Berkley Shore Hotel.....	65	205	19,800	Empire Hotel.....	50	124	9,850
Betsy Ross Hotel.....	87	250	25,000	Essex House.....	65	201	15,350
Biarritz Hotel.....	41	116	6,250	Evans Hotel.....	160	417	45,000
Bigelow House.....	6	14	3,000	Feiner Ocean Apart-			
Blackstone Hotel.....	242	726	55,250	ments.....	32	64	4,200
Bon Air Hotel.....	50	152	13,800	Fleetwood Hotel.....	328	1,058	60,000
Boulevard Hotel.....	222	462	33,209	Floral Apartment Hotel.....	32	90	6,400
Braznell Hotel and				Floridian Hotel.....	252	810	37,500
Apartments.....	188	816	67,500	Franklin Apartments.....	32	85	4,800
Breakwater Hotel.....	70	241	18,850	Franklin Hotel.....	48	140	10,250
Cadet Hotel.....	45	103	9,500	Gale.....	53	159	12,750
Cadillac Hotel.....	123	97	60,000	Glades Hotel.....	65		15,700
Cardoza Hotel.....	68	217	19,000	Good.....	102	204	36,000
Caribbean Hotel.....	113	226	53,000	Governor Hotel.....	128	488	28,000
Carlton Hotel.....	67	201	18,000	Grand Hotel.....	97	306	24,500
Carlyle Hotel.....	75	225	18,000	Grand Plaza Hotel.....	60	184	14,000

See footnotes at end of table.

9116 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

MIAMI BEACH, FLA.—Continued

Leased hotels retained by Army Air Forces—Continued

Name of hotel	Number of rooms	Capacity in men	Annual rental	Name of hotel	Number of rooms	Capacity in men	Annual rental
Greenbrier Hotel.....	60	206	\$19,000	Rendale Hotel.....	91	287	\$27,500
Greystone Hotel.....	60	207	15,250	Rendale Annex.....	9	12	⁴ 4,000
Grossinger.....	135	485	49,750	Revlins Hotel.....	50	109	10,600
Georgian Hotel.....	103	390	32,400	Richmond Hotel.....	75	222	24,000
Gulf Stream Apartment and Annex.....	199	350	⁴ 60,000	Riviera Hotel.....	50	185	11,500
Haddon Hall.....	116	330	30,750	Riviera Plaza Hotel.....	58	264	18,000
Hampton Hotel.....	53	224	9,900	Rivoli Apartments.....	32	-----	⁴ 4,900
Helene Apartments.....	68	184	9,500	Roberts Beach Hotel.....	55	-----	⁴ 10,200
Helene Hotel.....	73	195	17,000	Roseland Hotel.....	23	40	3,750
Helen-Mar Hotel.....	62	347	32,500	Royal Arms Apartments.....	36	64	4,500
Imperial Hotel.....	47	145	11,250	Royal Hotel.....	46	144	10,000
Indian Creek Apartments.....	62	268	20,000	Royal Palm Hotel.....	119	386	42,500
Indian Queen Hotel.....	52	157	15,000	Sadigo Court Apartment Hotel.....	55	207	12,750
Kent Hotel.....	57	178	12,500	St. Moritz Hotel.....	126	504	49,500
King Cole Hotel.....	115	-----	⁴ 27,000	Sands Hotel.....	103	408	36,490
Lemar Hotel.....	29	83	5,600	Senator Hotel.....	62	196	14,250
Le Roy Hotel and Villas.....	244	440	41,500	Seymour Hotel.....	34	101	6,000
Liberty Arms Apartment Hotel.....	53	179	13,500	Shelborne Hotel.....	155	-----	² 70,150
Lincoln Center Hotel.....	68	237	17,500	Shelby Hotel.....	42	129	8,100
Lord Balfour Hotel.....	75	199	14,250	Sheldon Hotel.....	38	105	6,000
Lord Baltimore Hotel.....	60	160	13,500	Shepley Hotel.....	35	101	6,900
Lord Tarleton Hotel.....	133	266	¹ 60,000	Shorecrest Hotel.....	79	249	24,500
Lynmar Hotel.....	69	138	11,300	Shoreham Hotel.....	83	252	25,000
Majestic Hotel.....	56	168	13,000	Shore Park Hotel.....	51	124	9,450
Mansion House.....	-----	-----	² 2,000	Simone Hotel.....	96	259	20,000
Marline Hotel.....	52	151	11,250	Somerset Hotel.....	106	285	19,040
Maxine Hotel.....	72	272	17,600	Sovereign Hotel.....	112	224	¹ 45,000
Mayfair Hotel.....	42	143	14,500	Stanton Hotel.....	35	106	6,600
McAlpin Hotel.....	50	114	12,000	Strath Haven Hotel.....	92	276	26,300
Mil-Jean Hotel.....	56	212	13,500	Surf Hotel.....	39	117	6,900
Metropole Hotel.....	100	216	11,700	Surfside Hotel and Annex.....	126	410	43,750
Monroe Towers Hotel.....	111	387	28,000	Thirty Seven Hundred Apartment Hotel.....	34	104	8,100
Nassau Hotel.....	50	147	11,250	Tides Hotel.....	115	372	34,600
National Hotel.....	115	-----	² 38,750	Tiffany Hotel.....	65	207	14,500
Netherland Hotel.....	101	299	29,750	Tower Apartment.....	110	-----	⁴ 50,000
New Yorker Hotel.....	74	294	24,250	Town House.....	75	117	² 32,150
Norman Hotel.....	80	224	21,500	Traymore Hotel.....	96	427	36,000
Normandie Hotel.....	121	288	23,750	Troy Apartment Hotel.....	44	109	7,900
Norwyn Hotel.....	32	84	4,800	Tropics Hotel.....	70	229	19,350
Ocean Grande Hotel.....	76	152	¹ 23,600	Tudor Hotel.....	67	207	15,000
Ocean Blue Hotel.....	30	62	5,250	Tyler Hotel.....	57	194	15,000
Ocean Haven Hotel.....	58	185	13,370	Vanderbilt Hotel.....	200	-----	² 66,250
Olympic Hotel.....	29	78	4,000	Victor Hotel.....	94	283	32,500
Palmer House.....	56	170	12,255	Walburne Hotel.....	50	136	11,300
Pancoast Hotel.....	249	-----	⁴ 80,500	Waldorf Towers Hotel.....	54	172	12,750
Park Avenue Hotel.....	50	127	8,500	Warwick Apartments.....	34	89	6,600
Park Central Hotel.....	80	272	23,400	Warwick Arms Apartments.....	38	100	⁴ 7,700
Patrician Hotel.....	108	216	¹ 31,000	Webster Hotel.....	53	152	11,400
Peter Miller Hotel.....	62	199	17,800	W e i s m a n Studio Apartments.....	56	101	5,500
Philan Hotel.....	29	55	5,300	Whitehart Hotel.....	70	147	13,500
Pierre Hotel.....	51	151	¹ 11,000	White House.....	114	347	42,500
Plymouth Hotel.....	80	250	19,500	Whitelaw Hotel.....	50	154	10,250
Poinclana Hotel.....	100	315	33,850	Whitman Hotel.....	147	570	55,000
Premier Hotel.....	29	86	5,500	Winterhaven Hotel.....	71	216	19,750
President Hotel.....	51	150	12,000	York Hotel.....	43	57	3,400
President Madison Hotel.....	206	412	¹ 66,500	Total.....	14,761	40,006	4,003,004
Princess Ann Hotel.....	45	137	6,250				
Raleigh Hotel.....	115	391	42,750				
Regent Hotel.....	33	96	7,000				

¹ Army Air Forces Redistribution Center.² Army Air Forces Technical Training Command office space or headquarters.³ Air Transport Command.⁴ Army Air Forces hospital or clinic.

MIAMI BEACH, FLA.—Continued

Hotels inactivated

Name of hotel	Number of rooms	Capacity in men	Annual rental	Cost of restoration or settlement
Abbott Avenue Apartment House.....	25	144	\$6,000	\$3,527
Admiral Hotel.....	101	291	14,250	9,962
Adobar Hotel.....	40	178	13,500	6,755
Allison Arms.....	20	83	4,400	2,065
Almal and Almal Annex Apartments.....	57	250	16,000	8,113
Altonia Hotel.....	48	203	7,340	4,081
Anglers Hotel.....	53	153	10,000	4,278
An-Neil Hotel.....	83	252	13,250	16,447
Archambo Hotel.....	37	143	9,500	5,318
Arnold Arms Apartments.....	44	123	6,000	3,578
Arnold Hotel.....	100	396	27,000	9,950
Astor Hotel.....	69	210	16,500	11,377
Astoria Hotel.....	54	120	5,000	3,310
Atlantis Hotel.....	141	518	50,000	49,993
Beach Colonial Hotel.....	44	132	5,400	3,262
Biarritz Villas Apartments.....	43	141	9,750	7,896
Billows Hotel.....	60	174	13,000	11,500
Bon View Apartments.....	29	135	7,250	3,412
Bougenvillea Apartments.....	20	84	5,500	2,089
Broadmoor Hotel.....	100	322	28,000	19,157
Broadripple Hotel.....	100	410	35,000	22,682
Campton Hotel and Apartments.....	40	165	12,750	7,318
Casa Blanca Apartments.....	18	64	4,400	4,765
Charles Hotel.....	118	376	28,000	38,430
Chelsea Hotel.....	29	91	5,200	4,850
Clavelon Hotel.....	44	151	12,600	10,225
Clinton Hotel.....	73	219	14,000	4,822
Clinton Hotel Annex.....	10	80	1,750	860
Coronet Apartments.....	20	83	4,200	456
Covington Arms Apartments.....	76	202	8,750	4,793
Creek View Apartments.....	16	60	4,200	703
Crest Hotel.....	44	156	10,200	5,062
Croton Hotel.....	57	169	9,250	4,646
Davis Hotel.....	31	103	6,000	4,950
Del Mar Manors.....	64	308	13,500	4,892
Dennis Apartments.....	41	70	5,600	4,500
Devon Hotel.....	30	90	6,000	5,936
Dolores Hotel.....	28	125	8,500	3,410
Duke Hotel.....	33	104	6,000	5,816
Eden Hotel.....	32	128	7,500	2,712
Emerson Apartments.....	20	68	3,600	2,350
Fairmont Hotel and Annex.....	50	246	12,750	10,858
Fenway Hotel.....	32	103	3,900	2,567
Flambeau Apartments.....	16	56	3,000	1,823
Flamingo Hotel and Cottages.....	385	1,581	74,250	50,634
Frederick Hotel.....	38	146	6,800	4,402
Fonda Fiesta Apartments.....	22	64	2,880	1,026
George Washington Hotel.....	52	153	7,600	5,355
Ger Hotel.....	76	155	9,850	4,227
Gotham Hotel and Apartments.....	72	296	13,000	7,039
Grawood Apartment.....	20	67	4,000	2,600
Grenada Hotel.....	45	126	6,750	7,257
Greenview Hotel.....	47	188	10,000	3,386
Habana Hotel.....	120	280	13,000	14,959
Halcyon Hotel.....	39	150	6,200	3,552
Harrison Hotel.....	52	190	9,500	6,315
Heether Arms Apartment.....	33	144	7,300	3,430
Helen-Mar Villas.....	52	240	19,000	14,000
Henry Hotel.....	50	100	9,300	4,835
James Hotel.....	48	202	11,500	5,743
Jefferson Hotel.....	72	352	18,500	23,432
Jo-Een Hotel.....	28	90	3,250	1,553
Kenmae Apartments.....	52	177	8,389	5,849
Kenmore Apartments.....	61	247	11,600	6,940
Kilgen Club.....	21	42	3,600	2,485
King Hotel.....	18	47	3,450	1,251
Knickerbocker Hotel.....	37	110	5,500	3,654
LaFayette Hotel.....	65	218	11,500	11,383
LaSalle Hotel.....	52	165	7,000	5,535
Lido Hotel.....	35	104	4,250	473
Lois Apartments.....	68	156	4,750	1,980
London Arms Hotel.....	49	150	11,500	8,068
Lord Byron Apartment.....	16	69	3,450	1,323
Loretta Apartments.....	10	42	2,650	2,665
MacArthur Hotel.....	96	392	15,000	9,424
Majette Apartments.....	24	50	3,200	3,158
Mare Grande Hotel.....	61	152	8,000	3,717
Marine Terrace and Annex.....	82	292	30,000	16,013

9118 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

MIAMI BEACH, FLA.—Continued

Hotels inactivated—Continued

Name of hotel	Number of rooms	Capacity in men	Annual rental	Cost of restoration or settlement
Marr Ocean Villas	45	145	\$12,000	\$7,055
Mary Annette Apartments	14	70	3,900	887
Mayflower Hotel	79	316	15,000	13,012
McClellan Ocean Villas	39	139	10,000	5,085
Meldrum Apartments	46	186	6,800	3,633
Madrid Hotel	36	94	4,000	3,000
Miami Beach Hotel	40	125	5,600	3,277
Midtown Hotel	31	100	5,000	2,771
Milburn Hotel	113	353	27,300	11,000
Monterey Hotel	60	243	10,100	5,711
Nemo Hotel	92	352	13,500	8,280
Neron Hotel	30	112	5,650	4,210
New Southern Hotel	54	221	7,500	1,729
Norgate Apartments	20	90	5,500	4,199
Norma Lee Apartments	47	175	10,500	6,815
Normandy Plaza Hotel	68	141	16,000	13,643
Normandy Villa Apartment	24	71	4,800	3,521
North Shore Hotel	83	347	23,000	8,820
Norton Apartments	46	186	6,500	2,933
Ocean Spray Hotel	59	229	15,750	16,029
Ocean Surf Hotel	50	145	12,750	11,374
Ocean Tower Apartments	63	203	15,750	11,862
Oceanic Hotel	63	254	9,500	5,811
Oceanic Villas	128	371	25,000	32,570
Oceanside Apartment Hotel	34	102	6,900	7,000
Olsen Hotel	40	142	11,000	8,687
Otis Hotel and Villas	31	143	10,250	3,477
Paget and Northshore Apartments	24	142	7,000	8,381
Palm Shore Hotel	23	71	4,500	4,131
Park Apartments	68	145	5,000	4,047
Park Lane Hotel and Apartments	76	266	11,000	9,432
Park View Island Apartments	60	228	21,500	8,854
Pebble Beach Apartments	84	250	6,500	3,759
Pontiac Hotel	83	126	13,200	8,230
Pontiac Villas	29	58	5,800	2,485
Read Hotel	26	82	6,600	5,073
Regal Hotel	42	159	8,000	8,228
Rex Hotel	34	81	3,900	2,760
Roosevelt Hotel and Apartments	45	324	13,200	9,817
Roselle Hotel and Regis Apartment	56	144	7,150	7,259
Rowe Hotel	51	135	11,000	7,086
Royal Apartments	36	64	3,000	2,650
Ruley Apartments	10	38	1,900	1,098
St. George Hotel	29	112	4,350	3,518
Sar Ber Apartments	42	98	6,300	2,577
Sea Bay Hotel Apartments	37	148	9,850	9,546
Sea Gull Apartments	12	40	2,800	2,285
Sea Isle	136	576	50,000	59,000
Sea Side Hotel	23	62	4,500	4,000
Sea Spray Hotel Apartment	48	102	9,500	7,746
Seaway Apartments and servants quarters	79	290	20,000	9,117
Sherman Hotel and Apartments	30	99	8,400	1,758
Shirley Apartments	36	91	5,000	3,150
Southern Sands	34	171	9,000	4,133
South Sea Hotel	80	320	21,750	16,888
Spanish Villas	17	41	3,200	2,729
Stahl Apartments	10	38	1,900	1,250
Surf Apartments	44	186	8,000	5,915
Surf Club	235	672	45,000	26,674
Surf Crest Apartments	84	192	6,500	3,478
Surf Edge Apartment Hotel	52	212	17,000	6,812
Surf and Sand Apartments	47	160	11,000	5,185
Surfview Apartments	21	62	3,800	3,084
Surrey Hotel	94	369	24,700	11,516
Taft Hotel	30	102	5,500	4,047
Tara Hotel	27	54	5,500	1,089
Temple Terrace Apartment	25	108	5,000	1,579
Tropix Apartment	38	125	8,200	5,316
Villas of Venezia	32	108	5,760	2,004
Virginia Reid Hotel	57	171	8,250	2,889
Westwood Hotel Apartments	25	83	6,300	2,071
Whitmarsh Hotel	14	32	2,270	2,177
William Penn Hotel	102	413	19,500	18,660
Wilshire Hotel	32	131	8,400	3,584
Windsor Hotel	31	66	5,000	4,829
Total	7,973	27,418	1,641,830	1,171,396

EXHIBIT No. 988

Atlantic City hotels inactivated by Army Air Forces, except Notes 1, 2, and 3

Name of hotel and location	Number of rooms	Capacity in men*	Annual rent	Use if not for quarters for troops or trainees
Atlantic City:				
Ambassador.....	712	2, 986	\$265, 000	(1)
Arlington.....	101	207	12, 000	
Breakers.....	525	1, 587	102, 500	
Brighton.....	293	903	70, 000	
Carolina Crest.....	76	192	24, 850	
Chelsea.....	416	1, 276	92, 000	
Cheltenham-Revere.....	68	138	7, 600	
Claridge.....	403	1, 884	175, 000	
Colton Manor.....	226	631	8, 500	(2) (3)
Crillon.....	50	149	15, 000	
Dennis.....	461	1, 469	195, 000	(2)
DeVille.....	161	362	26, 000	
Flanders.....	128	275	25, 000	
Fredonia.....	128	237	15, 400	
Glaslyn-Chatham.....	106	243	10, 600	
Hersh Carlton.....	61	137	13, 000	(4)
Holmhurst.....	137	309	26, 000	
Jefferson.....	162	468	55, 000	
Kentucky.....	108	224	11, 200	
Knickerbocker.....	300	868	75, 000	
Knights of Columbus.....	108	244	26, 000	
Lafayette.....	157	493	34, 250	
Madison.....	211	589	95, 000	
Marlborough-Blenheim.....	483	1, 930	230, 000	
New Belmont.....	99	261	35, 700	
Ostend.....	194	469	31, 000	
Pennhurst.....	95	191	11, 300	
Penn Ryan.....	35	61	3, 000	
President.....	438	1, 594	130, 000	(1) (4)
Richfield.....	73	151	16, 000	
Ritz Carlton.....	455	1, 827	154, 000	(1)
Runnymede.....	95	216	22, 500	
St. Charles.....	317	1, 052	96, 000	
Sea Side.....	241	750	74, 000	
Senator.....	313	752	99, 000	
Shelburne.....	330	1, 172	150, 000	
Stanton.....	69	129	7, 500	
Stevenson.....	65	110	7, 200	
Strand.....	303	962	63, 000	
Traymore.....	618	2, 164	310, 000	(2) (3)
Chalfonte group.....				
Chalfonte.....				
Cedarcroft.....				
Keystone.....				
New England.....				
Rydal.....				
Warwick.....				
Haddon Hall.....				
	1, 367	2, 350 (beds)	691, 080	(2)

* These figures are only an approximation since the number of men housed changes from day to day. They are computed on different square foot basis for the several types of buildings and locations.

¹ Present Air Forces Redistribution Station No. 1.

² Present England General Hospital of Surgeon General.

³ Lease inactivated and hotel used under service contract averaging \$1.07 per man per day for Colton Manor, and \$1.13 for Traymore.

⁴ Estimated rental in condemnation.

St. Petersburg hotels inactivated by Army Air Forces

Name of hotel and location	Number of rooms	Capacity in men*	Annual rent	Use if not for quarters for troops or trainees
Applegate.....	45	87	\$5, 200	
Albemarle Senior and Junior.....	98	206	9, 600	
Allison.....	125	246	10, 250	
Alexander.....	77	155	10, 750	
Beverly.....	76	152	9, 700	
Bellevue-Biltmore (Clearwater).....	800	2, 500	92, 730	
Carrs.....	25	81	6, 550	
Carleve.....	48	143	11, 250	
Carmack Apartments.....	33	96	7, 250	
Colonial.....	64	196	12, 500	
Concord.....	65	156	11, 750	
Cordova.....	35	77	4, 400	

St. Petersburg hotels inactivated by Army Air Forces—Continued

Name of hotel and location	Number of rooms	Capacity in men	Annual rent	Use if not for quarters for troops or trainees
Deermont Hotel.....	74	148	\$6,322	
Dennis.....	66	163	12,500	
Dennis Annex.....	44	74	3,520	
DeVillie Hotel.....	25	56	2,250	
Dusenbury Hotel.....	140	250	11,500	
Edgewater Inn.....	50	187	8,500	
El Tovar Hotel.....	24	65	4,225	
Florenton.....	74	212	13,538	
Fort Harrison.....	317	704	45,000	
Funk.....	22	53	2,750	
Gayfair.....	49	60	4,950	
Goodwin Apartments.....	24	82	6,000	
Gray Moss Inn.....	100	200	10,900	
Hibiscus.....	26	52	2,970	
Hilcrest.....	29	61	3,400	
Hollander Hotel.....	95	254	13,750	
Huntington.....	126	287	15,200	
Idlewild.....	23	33	2,375	
Jungle.....	105	279	21,500	
Lantern Lane Apartments.....	29	120	8,000	
Mari-Jean.....	59	171	7,700	
Martha Washington.....	98	244	13,500	
Mount Vernon.....	71	214	12,000	
Morgan Ten-Eyek.....	39	109	6,100	
Magnolia.....	66	121	8,500	
Pennsylvania Hotel.....	33	285	25,000	
Ponce de Leon.....	85	170	14,500	
Prather.....	27	51	2,350	
Princess Martha.....	251	750	58,000	
Proctor Hotel.....	26	48	1,520	
Pheil.....	130	262	19,750	
Poinsettia.....	108	237	16,000	
Randolph Hotel.....	41	104	8,500	
Ritz.....	45	137	5,340	
Royal Palm.....	100	200	12,500	
Seneca.....	50	570	8,125	
Soreno.....	344	1,040	73,850	
Sherman.....	46	117	6,150	
Stanton.....	33	86	6,000	
Southland.....	30	61	2,525	
Southmoor.....	33	52	2,700	
Stonleigh Court Apartment.....	26	60	2,850	
Vinoy Park.....	347	1,234	92,250	
Wigwam.....	60	123	6,000	
Williams Apartment Hotel.....	58	100	6,400	
Peninsular.....	36	92	4,600	

Daytona Beach hotels inactivated by Army Air Forces

Name of hotel and location	Number of rooms	Capacity in men	Annual rent	Use if not for quarters for troops or trainees
Barbe.....	28	77	\$4,300	
Beach Plaza.....	25	45	1,996	
Bon Air Apartments.....	20	52	2,775	
Clarendon.....	155	554	30,000	
Colonial Inn.....	27	40	3,000	
Coquina.....	130	418	16,500	
Delmar.....	32	60	3,600	
Deweese Apartments.....	20	60	5,650	
Dowling Court.....	40	64	2,625	
Ethan Allen.....	17	40	2,300	
Frances Irwine.....	14	43	1,800	
Franklyn Apartments.....	20	62	5,000	
Garden Court Apartments.....	28	60	2,700	
Gardiner House.....	5	10	375	
Garrison Terrace.....	36	100	9,000	
Geneva.....	82	180	9,100	
Grey Shingles.....	15	38	2,500	
Halifax Apartments.....	32	40	1,200	
Janice Hall Apartments.....	26	52	3,300	
Manor and Manorette Apartments.....	43	82	3,100	

Daytona Beach hotels inactivated by Army Air Forces—Continued

Name of hotel and location	Number of rooms	Capacity in men	Annual rent	Use if not for quarters for troops or trainees
Mayfield Annex.....	9	16	\$700	
Mayfield Hotel.....	34	106	4,550	
McElroy Apartments.....	20	37	1,700	
Marion Apartments.....	36	64	2,000	
Ocean Park.....	38	104	6,000	
Oaks.....	52	100	5,700	
Osceola.....	142	251	12,000	
Princess Issena.....	206	605	33,000	
Prince George.....	65	177	7,350	
Reedleigh Apartments.....	26	75	6,000	
Ridgewood.....	48	139	13,700	
Riviera.....	160	372	19,000	
Seagrave Apartments.....	23	45	1,925	
Streamline.....	50	154	13,860	
Surf and Sand Apartments.....	50	90	8,600	
The Inn.....	25	40	2,500	
Tides.....	32	102	9,200	
Tower.....	24	50	3,450	
Trocadero.....	10	52	2,500	
Tropical Inn.....	10	18	700	
Walter Terrace Apartment.....	31	83	6,500	
Wellington Apartments.....	44	94	7,700	
Whitehall Apartments.....	33	92	7,300	
Williams Apartments.....	22	56	1,800	
Windsor.....	30	71	3,600	
33 North Ocean.....	9	40	1,250	

Total list of Miami Beach hotels leased by Army Air Forces—retained and inactivated

Name of hotel and location	Number of rooms	Capacity in men	Annual rent	Use if not for quarters for troops or trainees
Abbey.....	52	161	\$14,700	Quartermaster.
Abbott Ave. Apartment.....	25	144	6,000	
Adams.....	60	222	14,400	
Admiral.....	101	291	14,250	
Adobar.....	40	178	13,500	
Alamac.....	100	280	26,250	
Alamo Apartment Hotel.....	40	148	11,000	
Albion.....	117	391	39,500	
Alden.....	73	232	18,400	
Allen Hotel.....	42	121	13,000	
Allison Arms.....	20	83	4,400	
Arnold Arms.....	44	123	6,000	
Almal and Annex.....	57	250	16,000	
Altonia.....	48	203	7,340	
Anchor.....	47	96	8,900	
Anglers.....	53	153	10,000	
Ann Morris Apartment.....	31	80	5,800	
An-Nell.....	83	252	13,250	
Archamho Apartment.....	37	143	9,500	
Archway Ocean Villas.....	138	367	\$45,000	
Arnold.....	100	396	27,000	
Arlene Arms Apartments.....	52	138	9,300	
Astor.....	69	210	16,500	
Astoria.....	54	120	5,000	
Atlantic Towers.....	125	250	42,000	
Atlantic.....	141	518	50,000	
Avalon Annex, Avalon Hotel.....	64	207	19,000	
Azora.....	41	80	5,000	
Bancroft and Annex.....	151	446	47,650	
Barbizon.....	52	186	13,400	
Barclay Plaza.....	66	270	17,650	
Beach Colonial.....	44	132	5,400	
Beach Maisonnets.....	53	190	10,000	
Beach Plaza.....	55	173	12,750	
Beacon.....	66	191	17,000	
Belmar.....	127	484	47,000	
Belmont.....	31	96	6,600	
Berkeley Shore Hotel, Berkeley Shore.....				
Annex.....	65	205	19,800	Office space.
Betsy Ross.....	87	250	25,000	
Bigelow House.....	6	14	3,000	

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Total list of Miami Beach hotels leased by Army Air Forces—retained and inactivated—Continued

Name of hotel and location	Number of rooms	Capacity in men	Annual rent	Use if not for quarters for troops or trainees
Blarritz	41	116	\$6, 250	
Blarritz Villa Apartments	43	141	9, 750	
Billows	60	174	13, 000	
Blackstone	242	726	55, 250	
Bon Air	50	152	13, 800	
Bon View	29	135	7, 250	
Bouganville Apartments	20	84	5, 500	
Boulevard	222	462	33, 209	
Braznell Hotel, Braznell Apartments	188	816	67, 600	
Breakwater	70	241	18, 850	
Broadmoor	100	322	28, 000	
Broadripple	100	410	35, 000	
Cadet	45	103	9, 500	
Campton Hotel	40	165	12, 750	
Cardoza	68	217	19, 000	
Carribean	113	226	53, 000	
Carlton	67	201	18, 000	
Carlyle	75	225	18, 000	
Casa Blanca	18	64	4, 400	
Cavalier	54	146	12, 000	
Century	29	84	4, 500	
Charles	118	376	28, 000	
Chelsea	29	91	5, 200	
Chesterfield	55	166	11, 250	
Churchill Apartment Hotel	40	156	10, 800	
Clay	93	226	15, 000	
Clavelon Hotel and Apartments	44	151	12, 600	
Cleveland	76	228	22, 500	
Clinton Hotel	73	219	14, 000	
Clinton Hotel Annex	10	80	1, 750	
Clyde	50	112	12, 500	
Collins Park	57	183	18, 000	
Collins Plaza	53	183	12, 000	
Colony	50	146	11, 000	
Commodore	50	151	10, 500	
Congress	48	143	11, 000	
Copley Plaza	73	216	18, 250	
Coral Reef	103	206	31, 000	
Covington Arms Apartments	76	202	8, 750	
Creek View Apartments	16	60	4, 200	
Crescent	53	156	12, 100	
Crest	44	156	10, 200	
Croton	57	169	9, 250	
Croyden Arms	103	456	31, 000	
Davis	31	103	6, 000	
Del Mar Manor	64	308	13, 500	
Delores Apartments	28	125	8, 500	
Dennis Apartments	41	70	5, 600	
Devon	30	90	6, 000	
Dorchester	91	300	33, 000	
Dorset	89	234	17, 250	
Drake	77	225	18, 350	
Duke	33	104	6, 000	
Eden	32	128	7, 500	
Edgewater Beach	75	227	17, 400	
Edison	69	163	16, 000	
Edsinger	54	147	12, 500	
Emerson Apartments	20	68	3, 600	
Embassy	100	305	26, 000	
Empire	50	124	9, 850	
Essex	65	201	15, 350	
Evans	160	417	45, 000	
Fairmont, Fairmont Annex	50	246	12, 750	
Feiners Ocean Apartments	32	64	4, 200	
Fenway	32	103	3, 900	
Flambeau Apartments	16	56	3, 000	
Flamingo Hotel and Cottages	385	1, 581	74, 250	
Fleetwood	328	1, 058	60, 000	
Floral Apartment Hotel	32	90	6, 400	
Fonda Fiesta Apartments	22	64	2, 880	
Franklin Apartments	32	85	4, 800	
Franklin Hotel	48	140	10, 250	
Frederick	38	146	6, 800	
Gale	53	159	12, 750	
George Washington	52	153	7, 600	
Georgian	103	390	32, 400	

*Total list of Miami Beach hotels leased by Army Air Forces—retained and
inactivated—Continued*

Name of hotel and location	Num- ber of rooms	Capacity in men	Annual rent	Use if not for quarters for troops or trainees
Ger.....	76	155	\$9,850	Motor pool. Do.
Good.....	102	204	36,000	
Gotham.....	72	296	13,000	
Governor.....	128	488	28,000	
Granada.....	45	126	6,750	
Grand Hotel and Annex.....	97	306	24,500	
Grand Plaza.....	60	184	14,000	
Grawood Apartment.....	20	67	4,000	
Greenbrier.....	60	206	19,000	
Greenview.....	47	188	10,000	
Greystone.....	60	207	15,250	
Grossinger.....	135	485	49,750	
Habana.....	120	280	13,000	
Haddon Hall.....	116	330	30,750	
Halcyon.....	39	150	6,200	
Hampton.....	53	224	9,900	
Harrison Hotel.....	52	190	9,500	
Heather Arms Apartment Hotel.....	33	144	7,300	
Helen Mar Hotel.....	62	347	32,500	
Helen Mar Villas.....	52	240	19,000	
Helene Apartments.....	68	184	9,500	
Helene.....	73	195	17,000	
Henry.....	50	100	9,300	
Imperial.....	47	145	11,250	
Indian Creek Apartments.....	62	268	20,000	
Indian Queen.....	52	157	15,000	
James.....	48	202	11,500	
Jefferson.....	72	352	18,500	
Jo-een.....	28	90	3,250	
Kenmae.....	52	177	8,389	
Kenmore.....	61	247	11,600	
Kent.....	57	178	12,500	
Kilgen Club.....	21	42	3,600	
King Apartments.....	18	47	3,450	
Knickerbocker.....	37	110	5,500	
Lafayette.....	65	218	11,500	
LaSalle.....	52	165	7,000	
Lemar.....	29	83	5,600	
LeRoy Hotel and Villas.....	244	440	41,500	
Mayflower.....	79	316	15,000	
Liberty (Arms).....	53	179	13,500	
Lido.....	35	104	4,250	
Lincoln Center.....	68	237	17,500	
Lois Apartments.....	68	156	4,750	
London Arms.....	49	150	11,500	
Lord Balfour.....	75	199	14,250	
Lord Baltimore.....	60	160	13,500	
Lord Byron Apartment.....	16	69	3,450	
Lord Tarleton.....	133	266	60,000	
Loretta Apartment Hotel.....	10	42	2,650	
Lynmar.....	69	138	11,300	
Macfadden-Deauville.....	114	411	42,000	
McClellan Ocean Villas.....	39	139	10,000	
MacArthur.....	96	392	15,000	
Madrid.....	36	94	4,000	
Majette Apartment.....	24	50	3,200	
Majestic.....	56	168	13,000	
Mare Grande.....	61	152	8,000	
Mar Ocean Villas.....	45	145	12,000	
Maxine.....	72	272	17,600	
Mayfair.....	42	143	14,500	
Marline.....	52	151	11,250	
Mary Annette Apartments.....	14	70	3,900	
Marine Terrace and Annex.....	82	292	30,000	
McAlpin.....	50	114	12,000	
Meldrum.....	46	186	6,800	
Metropole.....	100	216	11,700	
Miami Beach.....	40	125	5,600	
Mildtown.....	31	100	5,000	
Milburn.....	113	353	27,300	
Milljean.....	56	212	13,500	
Monroe Towers.....	111	387	28,000	
Monterey Apartments.....	60	243	10,100	
Nash.....	68	231	16,400	Military police;
Nassau.....	50	147	11,250	
Nemo.....	92	352	13,500	

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Total list of Miami Beach hotels leased by Army Air Forces—retained and inactivated—Continued

Name of hotel and location	Number of rooms	Capacity in men	Annual rent	Use if not for quarters for troops or trainees
Neron.....	30	112	\$5,650	Eastern Defense Command.
Netherlands.....	101	299	29,750	
New Southern.....	54	221	7,500	
New Surf.....	87	311	25,000	
New Yorker.....	74	294	24,250	
Norgate.....	20	90	5,500	
Norma Lee Apartment.....	47	175	10,500	
Norman.....	80	224	21,500	
Normandie.....	121	288	23,750	
Normandie Plaza.....	68	141	16,000	
Normandie Villa Apartments.....	24	71	4,800	
Norton Apartments.....	46	186	6,500	
Northshore.....	83	347	23,000	
Norwyn.....	32	84	4,800	
Ocean Blue.....	30	62	5,250	
Ocean Grande.....	76	152	23,600	
Ocean Haven.....	58	185	13,375	
Ocean Side Apartment.....	34	102	6,900	
Ocean Spray.....	59	229	15,750	
Ocean Surf.....	50	145	12,750	
Ocean Towers Apartment.....	63	203	15,750	
Oceanic.....	63	254	9,500	
Oceanic Villas.....	128	371	25,000	
Olsen.....	40	142	11,000	
Olympic.....	29	78	4,000	
Otis Hotel and Villas.....	31	143	10,250	
Padget and Northshore Apartments.....	24	142	7,000	
Palmshore.....	23	71	4,500	
Palmer House.....	56	170	12,250	
Park Apartments.....	68	145	5,000	
Park Avenue.....	50	127	8,500	
Park Central.....	80	272	23,400	
Park Lane.....	76	266	11,000	
Park View Island.....	60	228	21,500	
Patrician.....	108	216	31,000	
Pebble Beach Apartments.....	84	250	6,500	Motor pool.
Peter Miller Hotel and Apartments.....	62	199	17,800	
Philan.....	29	55	5,300	
Pierre.....	51	151	11,000	
Plymouth.....	80	250	19,500	
Princiana.....	100	315	33,850	Finance.
Pontiac Hotel and Villas.....	94	184	19,000	
Premier.....	29	86	5,500	
President.....	51	150	12,000	
President Madison.....	206	412	66,500	
Princess Ann.....	45	137	6,250	
Raleigh.....	115	391	42,750	
Read.....	26	82	6,600	
Regal.....	42	159	8,000	
Regent.....	33	96	7,000	
Sea Gull.....	12	40	2,800	Hospital
Rendale.....	91	287	27,500	
Revlin.....	50	109	10,600	
Rex.....	34	81	3,900	
Richmond.....	75	222	24,000	
Riviera.....	50	185	11,500	
Riviera Plaza.....	58	264	18,000	
Roberts Beach.....	55	236	10,200	
Roosevelt Apartment.....	45	324	13,200	
Roselle Hotel and Regis Apartment.....	56	144	7,150	
Roselind.....	23	40	3,750	
Rowe.....	51	135	11,000	
Royal Apartments.....	36	64	3,000	
Royal Arms Apartments.....	36	64	4,500	
Royal Hotel.....	46	144	10,000	
Royal Palm.....	119	386	42,500	
Ruley Apartments.....	10	38	1,900	
Sadigo Court Apartment.....	55	207	12,750	
St. George.....	29	112	4,350	

*Total list of Miami Beach hotels leased by Army Air Forces—retained and
inactivated—Continued*

Name of hotel and location	Number of rooms	Capacity in men	Annual rent	Use if not for quarters for troops or trainees
St. Moritz.....	126	504	\$49,500	
Sands.....	103	408	36,480	
Sar Bar Apartments.....	42	98	6,300	
Sea Bay Apartments.....	37	148	9,850	
Sea Isle.....	136	576	50,000	
Sea Spray.....	48	102	9,500	
Seaside.....	23	62	4,500	
Seaway Apartments.....	79	290	20,000	
Senator.....	62	186	14,250	
Seymour.....	34	101	6,000	
Shelby.....	42	129	8,100	
Sheldon.....	38	105	6,000	
Shepley.....	35	101	6,900	
Sherman Apartments.....	30	99	8,400	
Shirley Apartments.....	36	91	5,000	
Shorecrest.....	79	249	24,500	
Shoreham.....	83	252	25,000	
Shore Park.....	51	124	9,450	
Simone.....	96	259	20,000	
Somerset.....	106	285	19,040	
South Seas.....	80	320	21,750	
Sovereign.....	112	224	45,000	
Spanish Villas.....	17	41	3,200	
Stanton.....	35	106	6,600	
Strath Haven.....	92	276	25,300	
Surf Apartments.....	44	186	8,000	
Surf Club.....	235	672	45,000	
Surf Edge.....	52	212	17,000	
Surf Hotel.....	39	117	6,900	
Surf and Sands Apartment.....	47	160	11,000	
Surf Crest Apartments and Hotel.....	84	192	6,500	
Surf Side and Annex.....	126	410	43,750	
Southern Sands.....	34	171	9,000	
Stahl Apartments.....	10	38	1,900	
Surf View.....	21	62	3,800	
Surrey.....	94	369	24,700	
Taft.....	30	102	5,500	
Tara.....	27	54	5,500	
Tides.....	115	372	34,600	
Temple Terrace.....	25	108	5,000	
Tiffany.....	65	207	14,500	
Traymore.....	96	427	36,000	
Tropics.....	70	229	19,350	
Tropix Apartments.....	38	125	8,200	
Troy.....	44	109	7,900	
Tudor.....	67	207	15,000	
Tyler.....	57	194	15,000	
Victor.....	94	283	32,500	
Villa Venezia.....	32	108	5,700	
Virginia Reid.....	57	171	8,250	
Walburne.....	50	136	11,300	
Waldorf Towers.....	54	172	12,750	
Warwick Apartments.....	34	89	6,600	
Warwick Arms.....	38	100	7,700	
Webster.....	53	152	11,400	
Weisman's Apartment Hotel.....	56	101	5,500	
Westwood Apartment Hotel.....	25	83	6,300	
Whitehart.....	70	147	13,500	
Whitehouse.....	114	347	42,500	
Whitelaw.....	50	154	10,250	
Whitman.....	147	570	55,000	
Whitmarsh.....	14	32	2,270	
William Penn.....	102	413	19,500	
Wiltshire.....	32	131	8,400	
Windsor.....	31	66	5,000	
Winterhaven.....	71	216	19,750	
York.....	48	57	3,400	
3700 Apartment Hotel.....	34	104	8,100	
Coronet.....	20	83	4,200	
Floridian.....	252	810	37,500	

Cooks and Bakers School.

Total list of Miami Beach hotels leased by Army Air Forces—retained and inactivated—Continued

Name of hotel and location	Number of rooms	Capacity in men	Annual rent	Use if not for quarters for troops or trainees
Cromwell.....	103	130	\$45,350	Office space—Part housing.
Cadillac.....	123	97	60,000	Do.
Pancoast.....	249		80,500	Hospital.
King Cole.....	115		27,000	Do.
Tower.....	110		50,000	Do.
Gulf Stream and Annex.....	199	350	60,000	Do.
Glades.....	65		15,700	Do.
Rendale Annex.....	9	12	4,000	Do.
Rivoli Apartments.....	32		4,900	Do.
National Hotel.....	115		38,750	Office space.
Vanderbilt.....	200		66,250	Do.
Shelborne.....	155		70,150	Do.
Town House.....	75	117	32,150	Do.
Mansion House.....			2,000	Do.
Shormeade and Dayton Apartments.....	141		46,300	Military Intelligence Department.
				Military Police.
				Eastern Defense Command.
Firestone.....	39		15,000	Office space—Part housing.
Claridge.....	60	186	12,800	Do.

Miscellaneous leased hotels retained

Name of hotel and location	Number of rooms	Capacity in men	Annual rent	Use if not for quarters for troops or trainees
Yavapai County, Ariz.: Castle Hot Springs.....	162	350	\$18,000	Army Air Forces.
California:				
Davis, University Hotel.....	34	100	3,000	Ninth Service Command.
Half Moon Bay, Miramar Hotel.....	20	40	1,110	Army Ground Forces.
Oakland:				
Carillon.....	77	150	36,000	Army Air Forces.
Oakland.....	410	1,200	¹ 80,000	Medical Corps.
Olema, Olema.....	35	70	1,080	Army Ground Forces.
Palm Springs, LaPaz Guest Ranch.....	29	68	10,000	Army Air Forces.
San Diego, Tioga.....	48	167	11,220	Army Service Forces.
San Luis Obispo County:				
Cambria Pines Lodge.....	31	61	4,500	Army Air Forces.
Morro Beach Inn.....	40	80	3,000	Army Ground Forces.
Santa Monica:				
Del Mar Club.....	120	225	¹ 45,000	Army Air Forces.
Deauville Club.....	² 23,000		¹ 8,000	Office space, Army Air Forces.
Edgewater Beach Club.....	100	190	¹ 26,000	Army Air Forces.
Grand Hotel.....	176	352	¹ 28,500	Do.
Miramar Hotel.....	166	332	¹ 85,000	Do.
Ocean Palms Apartments.....	52	65	¹ 18,000	Do.
Shangri La.....	182	244	¹ 45,000	Do.
Florida:				
Boca Raton, Boca Raton.....	634	771	96,450	Do.
Florosa, Florosa.....	60	100	3,424	Army Air Forces housing and offices.
Palm Beach, Breakers.....	405	1,035	400,000	Medical Corps.
Miami, Miami Battle Creek.....	113	350	21,600	Air Transport Command.
Boston, Mass., Buckminster.....	190	436	¹ 40,000	Army Service Forces.
Kansas City, Mo., Midwest.....	75	205	¹ 8,250	Military police.
Bradley Beach, N. J., Grossman Hotel.....	138	850	15,000	Signal Corps offices.
Santa Fe, N. Mex., Santa Fe Inn.....	48	200	¹ 7,800	Medical Corps.
North Carolina, Lake Lure:				
Lake Lure Inn.....	56	162	7,800	Army Air Forces.
Rocky Broad Inn.....	70	100	3,400	Army Air Forces rest center.
Brookings, Oreg.: Chetco Inn.....	44	88	1,800	Army Ground Forces.
Seattle, Wash.:				
Frye.....	320	900	49,000	Army Air Forces.
Stratford.....	120	300	¹ 26,700	Women's Army Corps.

¹ Estimated rental in condemnation.² Square feet.

Miscellaneous leased hotels inactivated

Name of hotel and location	Number of rooms	Capacity in men	Annual rental	Use if not for quarters for troops or trainees	Cost of restoration or settlement
California:					
Bolinas, Marconi.....	21	130	\$600	Army Ground Forces..	(?)
Nevada County, Soda Springs.....	39	114	¹ 6,300	Army Service Forces..	\$6,100
Florida: Hollywood, Colonial Inn.....	150	150	6,000	do.....	11,032
Georgia: Toccoa, Lake Louise.....	45	143	18,000	Medical Corps.....	11,500
Illinois: Chicago, Congress.....	1,000	3,953	³ 372,100	Army Air Forces.....	127,900
Des Moines, Iowa:					
Chamberlain.....	227	609	³ 40,000	Women's Army Corps..	(?)
Savery.....	294	818	95,499	do.....	(?)
Plaza.....	163	422	³ 30,126	do.....	14,850
Maine:					
Ellsworth, Hancock House.....	46	100	4,500	Eastern Defense Command.	1,485
Machias, Eastern.....	30	70	2,000	do.....	(?)
Massachusetts:					
Sturbridge, Public House.....	35	100	16,000	Army Service Forces..	(?)
Grand Rapids, Mich.:					
Pantlind.....	618	1,975	³ 186,171	Army Air Forces.....	16,824
Rowe.....	285	644	³ 102,500	do.....	17,657
Kansas City, Mo.: Raineer Apartment.....	⁴ 32	122	5,000	do.....	(?)
New Jersey:					
Asbury Park, Santander Apartments.....	209	550	41,500	Sanitary Corps.....	16,150
Wildwood, Davis Hotel.....	48	130	6,500	First Army.....	5,540
Long Island, N. Y.: Jones Beach Hotel.....	30	100	4,200	Signal Corps.....	(?)
North Carolina:					
Southern Pines:					
Mid-Pines.....	64	128	³ 24,000	Army Air Forces offices.	9,333
Pine-Needles.....	136	1,305	³ 30,300	do.....	15,000
Greensboro, Sedgefield Inn.....	100	266	25,000	Army Air Forces administration headquarters.	(?)
Seattle, Wash.: New Richmond.....	304	354	¹ 34,530	Medical Corps.....	(?)
Total, 550 hotels.....	48,893	141,132	12,652,179		

¹ Estimated rental in condemnation.² Settlement pending.³ Judgment in condemnation.⁴ Apartments.

EXHIBIT No. 989

COMPTROLLER GENERAL'S DECISIONS

The following are decisions of the Comptroller General regarding items which may not be considered recompensable in connection with Government leases of private properties:

1. 1 Comp. Gen. 276.

It is conclusively presumed that a lessor who executes a lease with actual or constructive knowledge of the purpose of which the premises are to be used assumes responsibility for damages resulting from reasonable use for that purpose, in the absence of a specific provision in the lease to the contrary.

2. 1 Comp. Gen. 723.

Stipulations in a lease that premises shall be returned in the same condition as in which received, ordinary wear and tear, and damage by fire, explosion, and the elements excepted, do not obligate the Government to paint the interior of

the leased buildings or to repair damages due to the reasonable and proper use of the property for the purposes for which leased.

3. *5 Comp. Gen. 522.*

Under a lease entered into by the Government for the occupancy of premises as a training school, which provided for the return of the premises at expiration of the lease in like good order and condition as when received, "depreciation, use, ordinary wear and tear" excepted, necessary repapering, painting, resurfacing floors, and minor repairs at the termination of the lease fall within the exception and the Government is not liable for the cost thereof.

4. *5 Comp. Gen. 299.*

The cost of replacing a door to a garage occupied by the Government under a lease agreement, where the door had been damaged by a Government truck without negligence on the part of the driver, is not payable from public funds when a provision in the lease required the lessor to make all repairs without exception.

5. *18 Comp. Gen. 774.*

Where, due to curtailment in the Federal activity involved, the original lease agreement has been supplemented to the extent of the rent payable for the lesser amount of space now occupied, the expense of changing electric lights and meters, the cost of plaster patching and construction of partition walls and doors, and the expense of various other items, may not be paid from Federal funds, as requested by the lessor, if the items do not involve the Government's contract liability for restoration of alterations made by the Government during its occupancy and are instead apparently in restoration of the abandoned space to its former condition prior to the changes made by the lessor under its contract obligation to fit the premises for Government occupancy, but such payment is authorized to the extent that said items represent the cost of fitting the premises retained by the Government for the purposes leased, and if any item should be necessary for both the restoration of the premises and the fitting of the retained space for Government occupancy the cost of said item would appear to apportioning equally between the Government and the lessor.

6. *7 Comp. Gen. 541.*

Other provisions have been made by law for the adjustment of claims arising under Government contracts; there is no authority for inserting in such contracts a provision purporting to vest in an arbitration board the authority to adjust such claims.

7. *21 Comp. Gen. 90.*

Plaster requiring and painting work are obligations of the lessor under a lease which requires the lessor, with certain enumerated exceptions, not including plastering and painting, to repair and to maintain the leased premises in good repair and tenantable condition during the continuance of the lease.

EXHIBIT No. 990

PERSONNEL EMPLOYED AT MIAMI BEACH REAL-ESTATE PROJECT OFFICE

Jennie D. Aginsky.
Jeanne Avery.
Thelma G. Blanchard.
Norma Jean Carr.
Audrey F. Edrick.
Gail Estabrook.
Dorothy Garlock.
Elsie A. Jackson.
Rae K. Levin.
Lucie R. Prewitt.¹
Elizabeth S. Stacey.
Jennie Sweeting.
Helen S. Turner.
Louise L. White.¹
Harold E. Evans.

John C. Frazure.
Charles L. Padgett.
L. B. Southerland.
Arthur J. Sporborg.
S. G. Tarilton.
Mordicai L. Woodward.
John Sewell.¹
Joseph Elisnor.¹
Rachel Wheat.¹
Pierce Taylor.
C. S. Sampson.
Morris A. Spooner.
Lt. Col. David G. Fitch.
Total, 28.

NOTE.—Not all of these worked at the same time.

¹ Not employed during second acquisition.

EXHIBIT No. 991

MIAMI BEACH, FLA., July 31, 1943.

MIAMI BEACH HOTEL OWNERS' ASSOCIATION,
Miami Beach, Fla.

(Attention Mr. Rasco.)

GENTLEMEN: You requested on the telephone that I give you some pertinent information in reference to our negotiations with the Army relative to the release of the Arnold Hotel at 8751 Collins Avenue from Army occupation.

I represent Mr. Harry A. Brown, the owner of the Arnold Hotel, and as his representative negotiated a lease with the Army last November 17. The Army at that time set a price on the hotel of \$27,000 and I discussed the matter with Mr. Brown on long distance. We felt that if the Army thought this was a fair price we would negotiate the lease with them at their own price.

The Army returned the hotel to us last week and agreed to pay us rent under the lease until August 1—the period of the lease being 8 months and 13 days. The Army has agreed to reimburse us for the major part of the necessary expenses to rehabilitate the building, which in our opinion requires a period of 60 days. Our building should be ready for civilian occupancy the 1st day of October.

There are two matters pertaining to Army occupancy which we feel have worked an unusual hardship on us. First, the question of the actual rent derived from the lease. This area is largely dependent on resort business and practically all our income is derived from the period of 6 months from November 1 to May 1. We had an opportunity some 3 weeks before the Army took over the building last fall to make a lease of \$35,000. However, we preferred at that time to operate the building ourselves and at the time the Army took possession of the property we had already hired a manager, in fact the best manager we could find to operate the hotel.

So you will readily see, although our lease was for \$27,000 payable on a prorated monthly basis, that we received actually in rental from the Government \$19,125. From this amount should be deducted the expenses of tearing up our carpets, storing the majority of our furniture in a warehouse, plus the additional expense of replacing the carpets and the furniture in the building which entails additional drayage and labor.

The matter, however, that is concerning us most at the present moment is the question of telephones and switchboard which are absolutely essential in operating an ocean-front hotel. We had a 5 years' contract with the telephone company at the time the Army took possession of our building. The Army did not want or need the equipment and for that reason our contract was canceled by the telephone company. We made application last week to the telephone company to replace our equipment and reinstate our old contract. Representatives of the company had told us at the time of the cancellation that there would be no charge for re-instating the old contract. We are now informed by the telephone company that they cannot reinstate our equipment in the hotel due to the fact that the War Production Board has frozen all such equipment.

It is hard to believe that it was the intention at the time this order was drawn to cover our situation at the Arnold Hotel and that the Government or any of its agencies would want us to try to pick up our business again where we left it last fall without our telephone equipment being returned to us. The Government is in effect asking us to go into business again and compete with other hotels that were not taken over by the Army and for that reason did not lose their equipment. I cannot believe that the Government, when it is thoroughly cognizant of all the facts, will not try to put us as nearly as possible back into the same condition as we were last fall.

I hope the above facts, given briefly, have made our position clear. If we can furnish any further information to you at a later date, please call on us.

Very truly yours,

MARION BUTLER.

EXHIBIT No. 992

MIAMI BEACH, FLA., January 14, 1944.

Senator HARLEY KILGORE,
Senate Office Building, Washington, D. C.

DEAR SENATOR KILGORE: As per your suggestion, you will find enclosed two copies of the affidavit signed by me; also two copies of the letter of protest that was filed with each copy of the condition report at the time it was signed in my office. This letter of protest apparently was not kept with the original copy at the time a photostat of such document was made by the Army.

As I told you on the phone, the first thing I did after I got back to my office was to investigate why a copy had been attached to all other hotel reports and had not been attached to this one, and then I found that such copy had actually been attached and said photostate is a copy of said letter in my files with my copy of the paper in question.

It was apparently so absurd at the time to expect owners to certify to the condition report that was made 6 weeks after the Army went into the buildings, and made by a representative of the Army without any representative of the owner being present.

I was present 1 day during one inspection of the many made, though not in an official capacity, and the man making the inspection at the Arnold Hotel told me that he had to put down scratches and mars, etc., on our hotel, even though it was brand new, because if he did not, they would send the report back to him. This on its face made me realize that such an inspection, even though made at the time the Army went in, was worthless.

However, we were between the "devil and the deep blue sea"; we either signed or did not get our money. So the only course was the one I took, to sign the various documents but to attach thereto the letters of protest. I can see now that I did not derive much benefit from this method because the letters were obviously detached from the various copies.

Respectfully submitted.

MARION BUTLER.

P. S.—I am going to take the liberty of saying that in my opinion the basic trouble with all of the negotiations was the attitude of the Army that they were not willing to employ competent appraisers and to utilize their figures and to give each hotel owner the same percentage, based on the total value as set up by the appraisers.

The Army claimed they had no money for this purpose, and as a result they picked various and sundry appraisers who naturally did not give very good or accurate appraisals because many of them had not had any hotel experience at all. When I made 20 appraisals for the Army and I found they were not utilizing my figures, but were offering considerably less than my figures, I quit. This is my opinion from the extent in which I was involved with said appraisals.

Persons that raised objections to the figures that the Army offered were in many instances given more money, and as a result those that accepted what the Army offered were penalized. However, I feel that there should not have been any questions on the prices on the leases if they had been stabilized according to competent appraisals.

The Army had never done anything like this before and naturally had no basis upon which to set up the proper mechanics in a great hurry. I think for that reason they cannot be blamed too much. I do feel, however, that, as a result of this, there were many injustices done which should be corrected.

JANUARY 9, 1943.

Mr. LEONARD SACKS,
Office of the Post Engineers, Miami Beach, Fla.

DEAR MR. SACKS: We have this day signed your condition report on the furniture and furnishings situated in the Arnold Hotel at 8751 Collins Avenue, Miami Beach, Fla. We have signed it, however, under protest for the following reasons, to wit:

1. The Army occupied the hotel on November 18, 1942, and did not make any inspection of the furniture and furnishings upon which the condition report was made until many weeks after said occupation by the Army.

2. That at the time said inspection was made by the Army no representative of the owner was present or consulted during said inspection.

3. That the Arnold Hotel was completed in January of 1942 and said furnishings and furniture was installed in the hotel on or about that date; and, further, that the building was operated as a hotel for only 90 days and was never at any time over 75 percent occupied and that many of the rooms had had no use whatever.

4. Further, that the hotel was closed all summer till the Army took possession, and that the furniture in the rooms was in excellent condition at that time.

5. That several weeks after said Army occupation I inspected the building with the representative of the Army making the condition report on the building, and at that time a large percentage of the mattresses had been placed on the rough concrete floors with blankets on them to make additional sleeping facilities of many extra men in each room.

Yours very truly,

MARION BUTLER,

Representative of Maj. H. A. Brown, Owner of Arnold Hotel.

JANUARY 14, 1944.

AFFIDAVIT

Personally appeared before me this day, Marion Butler, who has personally sworn to the fact that the photostatic copy of the letter of protest, referring to the condition report on the Arnold Hotel, 8751 Collins Avenue, Miami Beach, Fla., was actually attached to said condition report when returned to the Army after being executed by the owners' representative.

MARION BUTLER.

[SEAL]

FRANCES BUTSCH,
Notary Public at Large.

My commission expires January 29, 1947.

EXHIBIT No. 993 appears in text on page 8849

EXHIBIT No. 994

Member of the American Institute of Real Estate Appraisers.

Senior member of the Society of Residential Appraisers.

Graduate of advanced courses in appraisal science and procedure held under the auspices of the National Association of Real Estate Boards at the University of Chicago in 1936; at the University of Pennsylvania in 1939; and at Yale University in 1940.

Official appraiser for the Miami Beach Board of Realtors.

Official appraiser in the Southeast Florida district for the Connecticut Mutual Life Insurance Co., of Hartford, Conn.

Qualified as an expert witness in real-estate valuation before the Federal and circuit courts in Dade County, Fla.

President of the Miami Beach Board of Realtors in 1939.

Director of the Miami Beach Board of Realtors for the past 8 years.

Vice president of the Florida Association of Real Estate Boards in 1940.

Author of various articles on phases of appraisal procedure and technique published in technical journals having national circulation.

Liquidator of the Miami Beach Bank & Trust Co. in 1930 and 1931.

Twenty years' experience in the general real-estate brokerage business in the greater Miami area.

Chief evaluator for the Air Corps Technical Training Command at Miami Beach in March, April, May 1942.

Fifteen years' experience in real-estate appraisal and court testimony in the valuation of real estate for all purposes including condemnation, zoning, city planning, market value, inheritance, gift, and other tax purposes.

9132 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

AGGREGATE VALUE OF REAL ESTATE APPRAISED DURING THE PAST 2 YEARS

Homes, hotels, apartment buildings, terminal warehouses, theaters, improved industrial and commercial properties, golf courses, vacant commercial and industrial, groves and acreage, having an aggregate value in excess of \$60,000,000.

Some employers of this appraiser's services

Attorneys	Estates	Individuals or firms
Shutts, Bowen, Simons.....	William Horlick.....	City of Miami Beach.
Prevatt & Julian.....	E. H. Maytag.....	Sinclair Oil Co.
Henry D. Williams.....	Thomas J. Pancoast.....	Florida Power & Light Co.
Yonge & Anderson.....	Irving A. Collins.....	Miami Beach First National Bank.
Charles B. Cleveland.....	Harry Race.....	Northern Trust Co., Chicago.
William Muir.....	Henry Levy.....	N. B. T. Roney.
H. F. Ward.....	George J. Sherer.....	Malone Properties, Inc.
E. L. Lockhart.....	Henry D. Ridgely.....	S. S. Kresge.
Daniel P. Galen.....	U. S. Army.....	Byron S. Miller.
M. L. Mershon.....	U. S. Navy.....	Alfred I. Barton.
Shepard Broad.....		Mark C. Honeywell.

EXHIBIT No. 995

Furniture valuations by the civilian committee

	Rooms	Furniture	Per room	Per room
Shelbourne.....	151	\$52,850	\$350	\$500
Raleigh.....	115	40,250	350	450
Grossinger.....	138	41,000	300	500
Gale.....	56	15,900	284	350
Georgian.....	104	25,000	240	450
New Yorker.....	74	18,500	250	450
San Moritz.....	135	40,500	300	500
Poinciana.....	100	25,000	250	450
Royal Palm.....	129	37,500	300	450
Shorecrest.....	82	28,700	350	450
Bancroft.....	159	40,000	251	450
Haddon Hall.....	116	23,200	200	400
Kent.....	56	14,000	250	325
Chesterfield.....	56	12,600	225	325
Drake.....	75	16,200	216	325
Betsy Ross.....	81	26,100	300	400
Clyde.....	50	15,000	300	350
Edgewater Beach.....	70	14,000	200	250
Winter Haven.....	72	19,800	275	350
Netherlands.....	101	25,000	250	300
Cordoza.....	70	21,000	300	350
Edsinger.....	54	16,200	300	350
Tides.....	114	28,500	250	300
Berkeley.....	66	16,500	250	350
Total.....			6,525	9,375

EXHIBIT No. 996

MIAMI BEACH, FLA., May 15, 1943.

To Whom It May Concern:

I hereby certify that the one-sheet estimates of market and rental value of Miami Beach hotels which were signed by me represented the combined judgment of the three signers of said one-sheet estimates.

That for my part such estimates represented my opinion of the said market and rental values as modified to come to agreement with the other signers.

That my opinions were based upon a general knowledge of hotels at Miami Beach, and long experience in appraising hotels at Miami Beach, and upon specific data furnished at the time of the estimate by the owners of the hotels or the owner's agents.

I further certify that by necessity an estimate of the market value and rental value of many hotels was required every day and that it would have been a physical impossibility to inspect each hotel and gather the data on each hotel which would be necessary to make a formal appraisal and form an opinion of value.

I further certify that at the time of making such estimates I had no monetary interest in the properties for which the estimates were made nor did I at that time expect to have any monetary interest in said properties in the future.

Yours truly,

E. D. KEEFER.

EXHIBIT No. 997

[Supplied by E. D. Keefer]

	Commercial rent	Army rent	Civilian committee rent recom- mendation
1. Waldorf.....	\$18,000	\$12,750	\$15,013
2. Cavalier.....	16,000	12,000	13,030
3. McAlpin.....	18,750	12,000	14,093
4. Edgewater Beach.....	26,500	17,500	19,800
5. Beacon.....	23,000	17,000	17,174
6. Patrician.....	42,500	31,000	-----
7. Chesterfield.....	14,500	11,250	12,600
8. Fairmont.....	15,000	12,750	15,587
9. Palmer House.....	17,500	12,250	14,294
10. Senator.....	19,000	14,250	16,260
11. Webster.....	15,000	11,400	13,195
12. Shepley.....	10,000	6,900	8,000
13. President.....	16,000	12,000	13,979
14. Barclay Plaza.....	23,100	17,650	-----
15. Surfside.....	51,000	36,000	-----
16. Biarritz.....	10,000	6,250	-----
17. Nassau.....	16,000	11,200	12,897

EXHIBIT No. 998

Hotels sold and leased since Pearl Harbor—Percentage of post-Pearl Harbor rentals to post-Pearl Harbor sales price

Hotel	Sale price	Annual rental	Percent rent of price
Anglers.....	\$60,000	\$13,000	21
Astor.....	115,000	20,000	17.3
Halcyon.....	43,500	9,500	21
Jefferson.....	135,000	43,200	21.6
Land.....	65,000	-----	-----
Wilsbire.....	63,500	10,750	16.9
5 hotels.....	482,000	96,400	20

Range 17.3 to 21.6 percent..

9134 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

EXHIBIT No. 999

Hotels sold since Pearl Harbor—Leased before Pearl Harbor—Percentage of pre-Pearl Harbor leases to post-Pearl Harbor sales prices

Hotel	Sold		Leased		Annual rent	Percentage
	Date	Price	Date	Years		
Barclay Plaza.....	1943	\$135,000	1940	7	\$23,100	17.1
Cornell.....	1943	75,000	1941	5	16,000	21.3
Collins Plaza.....	1941	112,500	1941	3	15,666	13.0
Carlton.....	1943	140,000	1939	5	22,500	16.0
Dorset.....	1943	154,000	1940	5	30,600	19.2
Eden.....	1942	60,000	1940	5	9,000	15.0
Edgewater Beach.....	1943	145,000	1941	4	26,500	18.2
La Salle.....	1943	55,000	1940	3	11,000	20.0
Monroe Towers.....	1943	240,000	1941	4	37,500	15.6
Park Avenue.....	1943	70,000	1940	1	10,000	14.2
Royce.....	1943	31,500	1941	1	6,000	18.7
Tides.....	1942	300,000	1936	10	45,600	15.2
Wilshire.....	1942	63,500	1940	5	10,500	16.5
Metropole.....	1943	117,000	1940	5	21,500	18.3
14 hotels.....	-----	1,698,000	-----	-----	285,466	16.8

Range from 13 to 21.3 percent.

EXHIBIT No. 1000

Sales of real estate at Miami Beach

	1938	1939	1940	1941	1942	1943
Homes.....	192	246	353	322	296	964
Lots.....	474	644	993	603	180	548
Hotels.....	5	14	23	10	5	73
Apartment buildings.....	33	50	68	67	24	188
Commercial.....	(7)	?	7	25	4	30
Dollar volume.....	\$14,149,210	\$17,120,130	\$32,750,625	\$21,789,727	\$11,955,555	\$26,476,052

EXHIBIT No. 1001

Miami Beach hotels sold since Pearl Harbor

Hotel	Address	Date sold	Rooms	Land size	Price paid	Approximate land value	Price of improvement per room furnished	Pre-Pearl Harbor leases per room per year	Post-Pearl Harbor leases per room per year	Remarks
NORTH OF 44TH ST.										
Croton Hotel	7326 Collins	November 1943	57	50 by 150	\$95,000	\$12,500	\$1,447	5-year, 1940, \$305		Offered \$315 per year per room in 1943.
Coronada (Arnold)	8751 Collins	October 1942	103	100 by 250	181,000					Offered \$242 per room for first 6 months of 1943, furnished.
Fonda Siesta	7745 Byron	April 1943	18	50 by 112.5	22,400	3,000	1,078			
North Shore	6845 Bay Drive	December 1942	102						10-year, 1943, \$411.	
New Surf	180 89th St.	November 1943	94	100 by 290	237,000	35,000	2,149			
Surf Edge	8995 Collins	do	54	111.5 by 250	180,000	32,500	2,713			
23D ST. TO 44TH ST.										
Atlantis (approximate \$445,000)	2655 Collins	August 1943	139	150 by 278	450,000	150,000	2,157			
Baltimore	3030 Collins	March 1943	60	80 by 100	106,000	23,000				\$1,300 per room unfurnished.
Bel Mar	2600 Ocean Front	April 1943	133	230 feet ocean front by 164 deep; 75 feet by Collins by 125 deep.	450,000	160,000	2,180			
Cadillac	3925 Collins	July 1943	106	200 by 282	500,000	190,000	4,717			Price subject to 99-year land lease; \$100,000 cash in this deal.
Cornell	3420 Collins	March 1943	57	100 by 100	75,000	27,500	833	5-year, 1941, \$280		
Coral Reef	3601 Collins	September 1943	103	100 by 235	260,000	100,000	1,353	10-year, 1941, \$397		
Claridge	3500 Collins	November 1943	60	100 by 140	140,000	32,500	1,791			
Croyden Arms	3720 Collins	do	65	do	250,000	32,500				
			19 apartments.							

: Unfurnished.

Miami Beach hotels sold since Pearl Harbor—Continued

Hotel	Address	Date sold	Rooms	Land size	Price paid	Approximate land value	Price of improvement per room furnished	Pre-Pearl Harbor leases per room per year	Post-Pearl Harbor leases per room per year	Remarks
23D ST. TO 44TH ST.— confined Le Roy Hotel and Apartments.	3200 Collins	April 1943	68 30 apart- ments.	200 by 225	\$280,000	\$100,000				
Monroe Towers— President Madison Dolly Madison.	3010 Collins 3801 Collins	March 1943 August 1943	111 206	120 by 100 200 by 280	240,000 473,000	36,000 190,000	\$1,837 2,296	4-year, 1941, \$337		Price subject to 99-year land lease.
Ocean Spray	4130 Collins	June 1943	60	50 by 100	125,000	17,500	1,791			
Surrey	4380 Collins	October 1943	94	140 by 125	290,000	45,000	2,691			
Wilshire	3710 Collins	June 1942	32	50 by 140	63,500	17,500	1,437	5-year, 1940, \$328	5-year, 1943, \$336	Sold in 1940 for \$70,000.
15TH ST. TO 23D ST.										
Berkley and Guest House.	1610 Collins	December 1943	66	175 by 231		60,000		10-year, 1940, \$350		Sold in 1941 for \$159,700. Army lease \$194 per room.
Dorset	1720 Collins	October 1943	90	100 by 140	154,000			5-year, 1940, \$340		Subject to 99-year land lease. Army lease \$157 per room per year.
Jefferson	1500 Ocean Front	November 1943	72	100 by 225	135,000	70,000	1,875		2-year, 1943, \$600	Sold in 1939 for \$195,000. Price subject to 99- year land lease.
Maxine	1756 Collins	October 1942	71	100 by 170				5-year, 1940, \$338		
Tropics	1550 Collins	November 1942	70	100 by 214	2 100,000	45,000	1,428			
Barclay Plaza	1940 Park Ave.	October 1943	66	150 by 150	112,500	40,000		7-year, 1940, \$350		
Collins Plaza	318 20th St.	December 1941	54	50 by 150	105,000	20,000	1,808	3-year 1941, \$290		
Greenview	1671 Washington	September 1943	47	100 by 150	117,500	22,000				
James	1680 James Ave.	do	26 (21 ed- iciency apart- ments.)							
Park Avenue	2216 Park Ave	do	50	85 by 250	70,000			1 year, 1940, \$200		Sold in 1940 for \$65,000.
Plymouth	2035 Park Ave	November 1943	80	150 by 125	185,000	35,000	1,875			

Regent.....	1635 James Ave.....	March 1943.....	32	75 by 125.....					Price subject to 99-year land lease. Sold in 1941 for \$97,000.
Shelby.....	Collins Ave.....	January 1944.....	44		88,000				
5TH ST. TO 15TH ST.									
Avalon.....	700 Ocean Drive.....	December 1941.....	64	75 by 130.....	170,000	37,500	2,070		
Betsy Ross.....	1480 Ocean Drive.....	November 1943.....	87	123 by 130.....	205,000	50,000	2,356		Price subject to 99-year land lease.
Barlizon Apartment-Hotel.	530 Ocean Drive.....	December 1943.....	52 efficiency apartments.	97.5 by 118.....	135,000				
Cordoba.....	1300 Ocean Drive.....	April 1943.....	70	100 by 130.....	135,000	45,000	1,928	Do.	
Carlton.....	1433 Collins.....	October 1943.....	72	137 by 140.....	140,000	35,000	1,458	Do.	
Commodore.....	1360 Collins.....	November 1943.....	70	50 by 140.....	150,000	17,500		Sold in 1937 for \$155,000.	
Drake.....	1460 Ocean Drive.....	March 1943.....	75	100 by 116.....	150,000	50,000	1,333		
Davis.....	1020 Washington.....	October 1943.....	32	50 by 150.....	53,000	12,500	1,255		
Frederick.....	916 Washington.....	September 1943.....	32	50 by 230.....	73,500	20,000	1,671		
Edgewater Beach.....	1410 Ocean Drive.....	October 1943.....	70	100 by 130.....	145,000	40,000	1,500		
Neron.....	1110 Drexel.....	September 1943.....	30	50 by 150.....	51,500	10,000	1,383		
Do.....	do.....	October 1943.....	20	do.....	55,500	10,000	1,516		
Kenmore.....	1050 Washington.....	May 1942.....	61	100 by 150.....	115,000			Sold in 1940 for \$130,000.	
LaFayette.....	944 Collins.....	October 1943.....	69	100 by 140.....	99,000	22,500	1,109	Sold in 1938 for \$105,000.	
La Salle.....	844 Collins.....	November 1943.....	52	50 by 140.....	55,000	10,000	865	Sold in 1940 for \$65,000.	
Millard.....	926 Washington Ave.....	September 1943.....	24	50 by 110.....	35,000	10,000	1,041	Sold in 1939 for \$43,000.	
Metropole.....	635 Collins.....	September 1942.....	100 (4 stores)	100 by 140.....	2 85,000	20,000		(Price subject to 99-year land lease.	
Shepley.....	1340 Collins.....		32	50 by 140.....		12,500		Sold in 1940 for \$99,000.	
WEST OF WASHINGTON AVE.									
De Soto.....	1824 Alton Road.....	February 1943.....	65	50 by 160.....	45,000	9,000	553	Sold, 1936, for \$11,500; 66 rooms, 14 baths.	
Eden.....	1965 Alton Road.....	August 1942.....	22	50 by 165.....	60,000	7,500	1,640		
Floridan.....	600 West Ave.....	October 1943.....	252		250,000			5-year, 1940, \$281	
Gotham.....	702 13th St.....	September 1943.....	70	100 by 140.....	85,000	17,000	871		
Hatyon.....	1231 17th St.....	April 1943.....	40	60 by 175.....	43,500	7,500	900	2-year, 1943, \$237	
Mareel.....	1810 Bay Road.....	September 1943.....	12	50 by 75.....	14,500	2,000	1,041	5-year, 1943, \$240	
Mayflower.....	1700 Alton Road.....	October 1943.....	75	100 by 150.....	110,000	37,500			North 50 feet occupied by restaurant leased for \$45,000 this year.

* Leasehold.

Miami Beach hotels sold since Pearl Harbor—Continued

Hotel	Address	Date sold	Rooms	Land size	Price paid	Approximate land value	Price of improvement per room furnished	Pre-Pearl Harbor leases per room per year	Post-Pearl Harbor leases per room per year	Remarks
WEST OF WASHINGTON AVE.—con.										
Nautilus.....	4201 Alton Road.	December 1942.	192 (19 cottages)		\$530,000					{ Purchased by U. S. Government.
Parada.....	1428 Euclid	April 1943.	75	100 by 126	63,000	\$15,000	\$640			
Purdy.....	1750 Purdy Ave.	January 1942.	21	50 by 75	22,500	2,250	964			
Royce.....	634 Euclid.	May 1943.	26	50 by 140	31,500	6,500	961	1-year, 1941, \$230.	5-year, 1937.	
Roselle.....	635 Euclid.	November 1943.	40	do	38,000	6,500	708			
Sinclair.....	507 Espanola Way.	March 1943.	48 (1 store)	110 by 81	47,500			10-year, 1940, \$125.		{ Store leased 2 years, at \$2,500; 3 years, at \$3,000.

EXHIBIT No. 1002

JULY 13, 1943.

Re Jefferson Hotel

Mr. GLYNN O. RASCO,

*Executive Manager, Miami Beach Hotel Owners Association,
Miami, Beach, Fla.*

DEAR MR. RASCO: Referring to the Jefferson Hotel, I wish to inform you that the rental agreed upon between the Army and the undersigned has been grossly inadequate, and was so considered by even the negotiators for the Army, to wit, Major (Lieutenant) Holliman, who in turn had promised to inform his superiors about the inadequacy of the price, but nothing has been done up to the present date with reference thereto.

I therefore am desirous of getting a readjustment of said rental for the period of Army occupancy.

Very truly yours,

J. N. MORRIS.

EXHIBIT No. 1003

MARCH 23, 1942.

HON. CLAUDE PEPPER,

*United States Senator, Senate House Office Building,
Washington, D. C.*

DEAR SENATOR: We read with interest the article contained in the Miami Herald of March 23, entitled "Army Abandons Beach Training Expansion as Hotels Increase Rates," written by a Herald staff writer.

The innuendos and statements contained in the article are not factually correct.

The writer has had several personal conferences with a representative of the United States Army, flanked by two real-estate men of Miami Beach, who endeavored to drive entirely too hard a bargain for a lease of ocean-front hotels. The offer was accepted, nevertheless, by the hotels represented by the writer, and in one instance an option was executed within half an hour of the time the negotiations were commenced.

The option agreement reads as follows:

"OPTION FOR LEASE

"In consideration of the sum of one dollar (\$1.00) and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the undersigned, hereinafter called the "lessor," who represents that he is the owner of the property hereinafter described, hereby, for himself (itself) and his (its) heirs, executors, administrators (successors) and assigns, offers and agrees to lease to the United States of America, in accordance with the terms and conditions set forth below, the land, with the buildings and improvements thereon and all rights and appurtenances thereto, described as follows: (Description of property.)

"The terms of this offer are as follows: (1) The rental for the described property shall be \$18,500 per annum for the period March 22, 1942, to June 30, 1942, and after June 30, 1942, the rental shall be \$18,500 per annum, which rental shall include payment for the following articles, equipment and contents of the said hotel: Sheets, pillowcases, shower curtains. To be determined later, additional amounts to be paid later, such named articles, equipment, and contents becoming the property of the Government.

"Lessor further agrees to furnish, as part of the rental consideration, basic furniture now in the hotel such as beds, springs, pillows, mattresses, dressers, tables, and chairs, but excluding lamps, draperies, and expensive chairs.

"(2) Lessor will upon request immediately execute the War Department Standard Form No. 2 lease, in compliance with War Department procedure, and in accordance with copy hereto attached, and to include the provisions contained in this option for lease.

"(3) Lessor shall furnish to the Government at lessor's expense, a certificate of ownership substantially in accordance with the form attached hereto, such

certificate to be signed by a reputable attorney or abstract company and shall be delivered to the Government at the time the lease is signed.

"(4) This option for lease shall expire at the end of 90 days from the date hereof.

"Possession shall be given the Government as of 10 a. m. o'clock March 22, 1942.

"This is the 19th day of March 1942."

[Signatures.]

In accordance with the contents of the option, a lease was presented to the undersigned 2 days later, which lease was executed by the undersigned and his associate, and supposed to have been transmitted to Washington for signature.

It will be noted from the option for lease that possession of the premises was required as of March 22, 1942, at 10 a. m. At the time the option was executed, the hotel was filled to capacity, every room occupied and the gross income at the time the option was executed amounted to between \$450 and \$500 per day. In order to carry out the terms of the option, all of the guests vacated the hotel and by Sunday, March 22, at 10 a. m., the hotel was ready for delivery and occupancy by the United States Army. Instead of occupying the premises in accordance with the option agreement, however, a telephone call came in from someone representing the personnel in charge of the negotiations, to the effect that the Army would not take possession at the time stipulated in the option, but would advise the hotel owner within 12 hours, what, if any disposition would be made of the hotel.

At the time of the present writing, to wit: Monday, March 23, at 12 noon, no word has been received from the Army as to what, if any, disposition would be made of the hotel.

The other hotel in question, which has about double the capacity of the one for which the option agreement was executed, accepted the offer of the Government the same day it was made, with the only proviso being that the hotel would be given until April 15 within which to vacate the premises. No word was received concerning this offer.

The article also contained a statement that "the hotel owners at Ocean Drive and Collins Avenue, south of Eighteenth Street are reported to have hiked their rates from 100 percent to almost 200 percent over the original price agreed upon in preliminary conferences."

The only preliminary conferences held between the Army and the hotel owners were several informal meetings at various offices wherein the hotel owners were present and met with a lieutenant of the United States Army, and one of our distinguished civic leaders. The representations and discussions held at those conferences culminated in the following agreement: That the Army would pay to the hotel owners the rate of \$10 per person per month, quartering anywhere from one to three persons in a room, depending upon the size of the room and the required cubic space governed by Army regulations. In the negotiations between this writer and the Army representative, the scale of \$10 had been departed from, and the Army refused to offer more than \$8 per person, per month.

It seems that the statement contained in the newspaper article to the effect that there was a change of attitude on the part of hotel owners is not borne out factually, and is erroneous, since any backing down (if such term could be used) was indulged in by the United States Army and not by the hotel owners.

Respectfully yours,

J. N. MORRIS.

JNM: ef

EXHIBIT No. 1004

THE PATRICIAN,
Miami Beach, Fla., July 15, 1943.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners' Association,
Miami Beach, Fla.

DEAR MR. RASCO: With reference to the Patrician Hotel, Miami Beach, which I own and manage, may I say that this is to confirm that I desire to have a readjustment of rental on this hotel. The amount being paid now is not adequate.

I urge that an impartial committee be appointed to adjust my claims equitably.

Very truly yours,

J. M. APPLE, Manager.
By DOROTHY EVANS.

EXHIBIT No. 1005 appears in text on page 8883.

EXHIBIT No. 1006

[Excerpt from Army file on Patrician Hotel]

PATRICIAN HOTEL

EXTERIOR MAINTENANCE

From the time this building was taken over considerable difficulty has been experienced on exterior maintenance, which, is the owner's responsibility. From the attached exhibits it is clearly brought out that various items requiring attention existed on occupancy, and that the owner has had to be contacted many times to accomplish the repairs necessary in order that the Government may satisfactorily use the premises and maintain the interior at a minimum cost.

The problem of maintenance on buildings under lease has been given much consideration, for, while the using services were charged with the responsibility of reporting maintenance work required, the post engineer found it necessary to organize an inspection department and establish a routine inspection. At the peak of strength, this post was responsible for the maintenance and repair of upward of 505 buildings involving approximately 21,000 rooms and, therefore, it was impossible with the personnel that could be obtained to effect 100 percent service. Because of this, enlisted personnel were used. All of the using services were aware of the difficulty and necessity for adequate maintenance and to that end, the Miami Beach training base established a permanent housing board of Army personnel one function of which was to check and report maintenance items requiring attention.

A qualified architect of the post-engineer organization was charged with the responsibility of notifying lessors of items of exterior maintenance required, where such items are the responsibility of the lessor under the lease agreement. This architect also follows up such work requests.

A form letter (exhibit No. 2) advising the lessors of the prevailing conditions was sent out in an effort to reduce maintenance costs and to protect the Government from future claims for damages resulting from such defects.

The majority of the lessors, in the interest of their properties, responded to this letter without further action. A certain number were dilatory but accomplished this work after being contacted again. A small number of lessors flatly refused to do any exterior maintenance repairs to the buildings and it was found that the Government had no other recourse.

As this situation became worse, the matter was presented to the office of the division engineer, South Atlantic Division, which ruled that rental vouchers could be withheld until such time as exterior repairs were performed by these owners.

Based on a form letter incorporating the above mentioned ruling, letters were sent out to various owners and under the date of October 15, 1943 (exhibit No. 7) a letter was addressed to the owner of the Patrician Hotel pointing out various exterior defects that were causing deterioration of the building. The items enumerated were based on an inspection made by the post engineer office to determine exterior maintenance currently necessary to reduce to a minimum structural and interior deterioration and damage for which the Government might be held responsible.

No reply was received to this communication, but on November 23, 1943, Mrs. Evans, the lessor, called the inspection department and told them that the building had been waterproofed 6 months prior to occupancy, and therefore she could see no reason why it should be done again. She agreed, however, to fill in and waterproof cracks over the tops of the windows on the seventh floor, but according to our records no work was performed.

Subsequent to the above-mentioned ruling that rental vouchers could be withheld, authority was received from the real estate branch, office of the Division Engineer, South Atlantic Division, to the effect that if the lessors did not accomplish the work that they were responsible for, bids could be taken, essential work accomplished and the costs deducted from the rent.

As the Patrician Hotel was one of a group selected for the redistribution center, and as considerable interior work was to be done, the lessor was addressed under date of November 29, 1943 (exhibit No. 8) it being pointed out that in order for the Government to satisfactorily use the premises various leaks should be stopped at

once. This letter pointed out the minimum work required. Due to the urgency of the situation, Mrs. Evans was contacted relative to the matter, and she advised that she had never received our letter of November 29, 1943, it having been sent to her attorney and not brought to her attention. A copy was handed to her at the time, and she stated that she would immediately contact her painter and have the work performed, and although this was on December 3, 1943 (exhibit No. 9) no action was taken until December 28, 1943 (exhibits Nos. 10, 11, 12, 13).

Although we pointed out in our letter of November 29, 1943, that the work requested was the minimum, only a small part has been accomplished. It was pointed out to Mrs. Evans on the premises that the damage to the walls was being caused by leaks and not by water or rain coming through the open windows.

It must be pointed out that while one letter (exhibit No. 7) to the lessor stated that the rent voucher would be held up and a later letter (exhibit No. 8) said that the work would be contracted and the cost deducted from the rent unless necessary repairs were accomplished, neither was done. (See exhibit No. 15.)

No rent vouchers were ever held up on the Patrician Hotel for failure of the lessor to sign the condition report. (See exhibit No. 16.)

TOILET BOWLS

Shortly after occupancy of the Patrician Hotel, the post engineer received service calls concerning the leaking of gases, and the seepage of sewage on the bathroom floors. Because of this, an investigation was made and there was an indication of stoppages in the plumbing lines causing sewage to back up and seep out of some 99 toilet bowls which were cracked, crazed, and improperly installed (exhibit No. 19). Rather than tear out the partitions to locate the stoppages, which would necessitate major alterations beyond the scope of the maintenance and repair required of the post engineer, and as it was felt that the condition was due to faulty construction for which the Army was not responsible, the matter was brought to the attention of the commanding officer in a letter dated January 2, 1943 (exhibits Nos. 17, 18). This letter suggested that the Patrician Hotel be evacuated unless the situation was corrected by the lessor at once. This was done as the lease between the lessor and the Government stipulates that the plumbing is to be in good and serviceable condition (exhibit No. 19), and because a similar condition had developed at the Croydon Arms Hotel where the post engineer tore down the partitions, and on opening the pipes found that many of the waste lines had been stopped due to crosses made of hanger iron having been placed in the sewerage lines and junction points; the lines were also congested with other foreign materials such as wire, steel wool, solder, and wooden plugs (exhibit No. 27).

The Patrician Hotel and the Croydon Arms Hotel had been constructed during a period of labor dispute between union and nonunion plumbers and by the same contractor, and as it was locally accepted that plumbing systems had been sabotaged at that time, the responsibility was unquestionably the lessor's.

On January 6, 1943 (exhibit No. 20), Col. Joseph W. Benson advised Mrs. Evans, owner of the Patrician Hotel, of the situation, stating that if an agreement could not be reached between the lessor and the post engineer, it would be necessary to evacuate the hotel within a week. Verbal negotiations developed and a satisfactory arrangement whereby Mrs. Evans arranged with the Stolpman Plumbing Co. (exhibit No. 22), local plumbers, to procure the necessary fixtures, and on April 8 (exhibit No. 25), the post engineer advised Mrs. Evans this work had been satisfactorily completed.

EXHIBIT No. 1007

MEAD BROS., INC.,

Miami Beach, Fla., December 15, 1943.

Congressman PAT CANNON,

Congressional Building, Washington, D. C.

DEAR PAT: I was very sorry I did not have an opportunity to see you last week when you were in Miami, but I want to congratulate you upon your honest and frank statements about some of these vitally important matters that are going on in the Miami area. I am enclosing a letter that I wrote to Col. John J.

O'Brien, Chairman of Engineers, National Real Estate Office, Washington, D. C., pertaining to the rental on the Shoremede Hotel and Dayton Apartment Hotel which my brother and I own. Undoubtedly you know a whole lot about this whole set-up, and if you want my honest and frank opinion, it has been handled in a very high-handed manner right from the start.

I have read in the Miami papers that the Truman investigating committee is going to be in Miami on January 3 and 4 and I would like very much to appear before this committee and tell them some of the things that have been going on here.

My letter covers the subject pretty well as far as the Shoremede Hotel and the Dayton Apartment Hotel are concerned.

Anything that you can do to help pertaining to the renegotiation of these Army leases will be greatly appreciated by everyone in south Florida who knows anything about this matter of the way the Army has handled things down here.

With kindest personal regards and hoping we can get together the next time you are home, I remain,

Very sincerely yours,

D. RICHARD MEAD.

NOVEMBER 27, 1943.

Re Shoremede Hotel and Dayton Apartment Hotel, Miami Beach, Fla.

Col. JOHN J. O'BRIEN,

*Chief of Engineers, National Real Estate Officer, Corps of Engineers,
United States Army, Washington, D. C.*

DEAR SIR: I thought you would be interested to know just what has taken place on Miami Beach in reference to rentals on hotels that the Army has taken over.

I talked with your Mr. Joseph Elsener, who offered \$46,300 rental for the above two hotels, and at that time I explained to Mr. Elsener that the rental should be a minimum of \$65,000. The next day I talked with Mr. John Frazer, and that night Major Fitch called me on the telephone and said that unless we took the \$46,300 that the Army would condemn the hotel and that he would see to it that we received less than this amount of money. After considerable conversation I confirmed from Major Fitch that this rental was based upon 11 percent of the county assessment of this property, and furthermore, Major Fitch told me that under no circumstances would the Army pay more than 11 percent of the county assessment for any hotel. Neither myself nor family wanted to take advantage of the emergency that our Government was in and after considerable thought we decided to accept the \$46,300 based upon the statement that all of the hotels would be taken over on the same basis.

It now develops that the rental based upon 11 percent of the county assessment was not adhered to and that the Broadripple Hotel, the Caribbean Hotel, the Pancoast Hotel, and many others too numerous to name, were taken on the basis of 15 to 16½ percent of the county assessment.

The Shoremede Hotel occupies a full block of ocean frontage, having 100 rentable rooms and baths, private offices, lobby, lounge, sun parlor, dining room, kitchen, bar, lower terrace, storage rooms, and additional service rooms that are now being used by the occupying force. This building is conservatively worth \$600,000. The Dayton Apartment Hotel, which is located directly across the street from the Shoremede Hotel, has 33 rooms and baths, and a parking lot 100 feet square for use of our guests. On these lots the Army has constructed a mess hall and sleeping quarters for approximately 30 men. This property is conservatively worth \$125,000. The Shoremede Hotel and the Dayton Apartment Hotel are assessed by the county assessor at \$421,350 and if you will multiply this figure by 11 percent you will see that we are receiving \$46,300 annual rent for these properties.

The Pancoast Hotel, which is an ocean-front hotel with servants' quarters and garage directly across the street, was taken over by the Army at a rental of \$80,500. This property is assessed by the county assessor at \$546,450.

The Caribbean Hotel, which is located 2 blocks north from the Shoremede Hotel, on the ocean front, is assessed at \$403,500, being \$17,850 lower assessment than our properties, and the annual rental that the Government is paying is \$55,000, which covers only one building which is not even comparable with the Shoremede Hotel.

The Broadripple, located 1 block from the ocean on the corner of Forty-fourth Street and Indian Creek Drive, is assessed at \$220,000, being \$221,350 less than our property, and they are receiving \$35,000 rental from the Government.

I could go on and enumerate the assessments on the Whitehouse Hotel, the Cromwell Hotel, Terrace Restaurant, and several other outstanding examples where the Government is paying far more than 11 percent on the county assessment.

From the above you can readily see that the Caribbean Hotel is being paid approximately \$9,000 more for their hotel than we are receiving for our two hotels; that the Pancoast Hotel is being paid approximately \$34,000 more than ours and that the Broadripple is being paid about the same amount that we are receiving for the Shoremede Hotel alone which is directly on the ocean. The rental paid for the Broadripple figures 16 percent on the county assessment.

We are asking for the renegotiation of this whole lease based on a fair market value of the property.

May I have the pleasure of hearing from you about this matter at your convenience?

Very truly yours,

D. RICHARD MEAD,
Partner, Shoremede Hotel, a Partnership.

EXHIBIT No. 1008

THE ATLANTIC TOWERS,
Miami Beach, Fla., January 3, 1944.

GENTLEMEN: On November 28, 1942, I received a telegram from the War Department notifying me that they were taking over the Atlantic Towers Hotel and that the building had to be delivered to them on December 1, 1942.

Although the rental offered me was not nearly in accordance with the value of the property, I had little choice and yielded possession to the Army on the day it had set.

The cost of the Atlantic Towers Hotel was \$600,000 and the hotel at the time of Army occupancy was less than 2 years old. It consists of a hotel building of 125 large rooms, an entire block of ocean front, a large lobby, a kitchen, hotel dining room, and a bar. On the adjoining lot is a 20-room bungalow. In line with what is being paid other hotel owners for compensable property, I feel that the \$42,000 annual rental paid by the War Department is not sufficient.

In addition, the Army has leased various parts of the hotel for privately operated concessions such as the dry cleaning, the laundry, soft-drink, and uniform alterations. I feel that I should get part of the income from these concessions.

Under the circumstances, I am asking the committee to reappraise my property and adjust the rental to a fairer basis.

Very truly yours,

CHARLES RUBIN, *Owner.*

EXHIBIT No. 1009

THE ATLANTIS,
Miami Beach, Fla., July 15, 1943.

Mr. GLYNN O. RASCO,

*Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.*

DEAR MR. RASCO: With reference to the Atlantis Hotel, which I own, this is to confirm my desire to have a readjustment of the rental for this hotel. The amount paid to me now is not adequate.

I urge the appointment of an impartial committee to adjust my claim adequately.

Very truly yours,

HARRY SIRKIN.

EXHIBIT No. 1011

MIAMI BEACH HOTEL OWNERS ASSOCIATION,
Miami Beach, Fla., July 13, 1943.

Re Bancroft Hotel.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: With reference to the Bancroft Hotel, 1501 Collins Avenue, which I own, may I say that this is to confirm that I desire to have a readjustment of rental on my hotel. The amount being paid to me is inadequate.

I urge that an impartial committee be appointed to adjust my claim equitably.
Very truly yours,

MAX GREENBERG.

EXHIBIT No. 1012

BARBIZON APARTMENT HOTEL,
July 15, 1943.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: With reference to the Barbizon Apartment Hotel, which I own, may I say that this is to confirm that I desire to have a readjustment of rental on this building. The amount being paid to me is not adequate.

I urge that an impartial committee be appointed to adjust my claim equitably.
Very truly yours,

NATHAN GLOSSER.

EXHIBIT No. 1013

BARCLAY PLAZA HOTEL,
Miami Beach, Fla., July 15, 1943.

Re: Barclay Plaza Hotel.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: With reference to the Barclay Plaza Hotel, which I own, may I state that it is my urgent desire that every effort be made to have the United States Government appoint an impartial committee to equitably adjust any and all claims which I may have against the Government on account of damage done to the buildings and furnishings during the Army occupancy.

Very truly yours,

GEORGE E. WILLIS.

EXHIBIT No. 1014

BEACH COLONIAL HOTEL,
Miami Beach, Fla., July 15, 1943.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: Referring to the Beach Colonial Hotel, of which I am the owner, I wish to take this opportunity to say that I am of the opinion a readjustment of rental should be made on this hotel. The amount that has been paid to me is not adequate.

May I urge that you use every effort to have an impartial committee appointed so that my claims may be adjusted equitably.

Very truly yours,

DAVID E. GIFFEN.

GIFFEN ROOFING Co.,
Coral Gables, Fla., July 21, 1943.

MIAMI BEACH HOTEL OWNERS ASSOCIATION,
Miami Beach, Fla.

(Attention Mr. Glynn O. Rasco, executive manager.)

DEAR MR. RASCO: When I signed the option with the Army for a lease on the Beach Colonial Hotel, which I owned, I was requested under pressure to sell my linens. Before doing so I ascertained from Herendeen-Avery what the replacement cost would be on these linens at that time, and I am enclosing their original letter outlining prices. I am also enclosing a letter from Major McClure, of the Quartermaster Corps, dated April 2, 1943, which was received a little over 4 months after I had accepted a cash settlement for the articles as listed on the enclosed order from the Army. You will note they have threatened to take this linen regardless of whether it met with my approval or not, although I had already accepted their offer. In their proposed settlement to me I feel that the Army should reimburse me to some extent on the linens and give me a priority order so that I may obtain same. Please see that these communications are returned to me for my personal files.

Very truly yours,

D. E. GIFFEN,
Owner, Beach Colonial Hotel.

HEADQUARTERS, MIAMI BEACH SCHOOLS,
FIRST DISTRICT, ARMY AIR FORCES TECHNICAL TRAINING COMMAND,
OFFICE OF THE QUARTERMASTER,
Miami Beach, Fla., November 19, 1943.

Subject: Purchase of linens and kitchen equipment.

To: Owners and owners' representatives of Government-leased hotels, Miami and Miami Beach.

GENTLEMEN: The Miami Beach Schools quartermaster will purchase, by negotiation, the sheets, pillow cases, towels, kitchen equipment, and silverware from property owners whose hotels have been leased by the Government.

It is requested that owners or owners' representatives desiring to sell above items be prepared to show documentary evidence as to cost and date of original purchase. For appointment call purchasing and contracting office, 5-0711, extension 639.

Yours very truly,

CLARE E. MCCLURE,
Captain, Quartermaster Corps,
Purchasing and Contracting Officer.

BEACH COLONIAL HOTEL,
Miami Beach, Fla., November 30, 1943.

Purchase order No. QM 462-1273 for Quartermaster.

FINANCE OFFICER,
Miami Beach, Fla.

Quantity	Unit	Article	Unit price	Total price
315.....	Each..	Sheets.....	\$0.50	\$157.50
148.....	do..	Cases, pillow.....	.18	26.64
260.....	do..	Towels, bath.....	.15	39.00
				233.14

Negotiated under authority of the First War Powers Act, 1941, and Executive Order No. 9001, December 27, 1941.

I certify that the above bill is correct and just; that payment herefor has not been received; that all statutory requirements as to American production and labor standards, and all conditions of purchase applicable to the transactions, have been complied with; and that State or local sales taxes are not included in the amounts billed.

BEACH COLONIAL HOTEL,
(Signed) DAVID E. GIFFEN, Owner.

(Check for above received and deposited: \$223.14, voucher 36451 on December 18, 1942.)

INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM 9147

HEADQUARTERS, MIAMI BEACH TRAINING BASE,
ARMY AIR FORCE TECHNICAL TRAINING COMMAND,
OFFICE OF THE QUARTERMASTER,
Miami Beach, Fla., April 2, 1943.

Mr. D. B. GIFFEN,
Coral Gables, Fla.

DEAR SIR: We have written you several times in regard to the sheets, pillow cases, and towels listed as being in your hotel at the time it was leased by the Government. If you desire to sell the above-mentioned items to the Government, it will be necessary to complete negotiations by April 30, 1943. Otherwise the property will be carried on the inventory and will be subject to fair wear and tear in making adjustment upon termination of the lease. Appointment may be made by calling 5-0711, extension 639.

Yours very truly,

CLARE E. McCLURE,
Major, Quartermaster Corps,
Executive Officer.

HERENDEEN-AVERY,
INSTITUTIONAL JOBBERS,
Miami, Fla.

Mr. DAVID E. GIFFEN,
Coral Gables, Fla.

DEAR MR. GIFFEN: At your request we are giving you below the quantities, prices paid, and the replacement price of certain linens purchased from us in August 1941:

Quantity	Description	Price paid	Replacement
24 dozen...	63 x 99 Cannon fine muslin sheets.....	\$8.30	\$13.59
5 dozen...	81 x 99 Cannon fine muslin sheets.....	10.50	16.16
15 dozen...	45 x 36 Cannon fine muslin sheets.....	2.75	3.87
30 dozen...	20 x 40 Cannon No. 783 bath towels.....	2.30	3.25
42 only...	72 x 72 No. 35 broadcloth shower curtains.....	1.00	1.40
100 only...	70 x 80 Fieldcrest 25 percent wool blankets.....	2.15	2.45

The price given you as replacement on the Fieldcrest blankets is the latest we had, but this particular blanket is not manufactured any longer.

Yours very truly,

GERTRUDE WESTLAKE,
Secretary-Treasurer, Herendeen-Avery, Inc.

EXHIBIT No. 1015

BEACH PLAZA HOTEL,
Miami Beach, Fla., July 15, 1943.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: With reference to the Beach Plaza Hotel, of which I am the owner, may I say that this is to confirm my desire to have a readjustment of the rental paid for this building. The amount being received is not adequate.

I urge the appointment of an impartial committee to adjust my claims.

Very truly yours,

J. SIMPSON.

9148 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

EXHIBIT No. 1016

DUNN AND WILSON,
Miami Beach, Fla., July 15, 1943.

Re Belmar Hotel Properties.

MIAMI BEACH HOTEL OWNERS ASSOCIATION,
Miami Beach, Fla.

GENTLEMEN: In the settlement of any difficulties arising between the hotel owners and the Army officials concerning the adjustment of rentals during the period of restoration and survey of damages for restoration, I believe it would be extremely beneficial to have an impartial committee appointed for the determination or arbitration of any disputes as may arise, or settlement of rentals.

We represent Gibbons Associates, owners of the Belmar Hotel and garage, and feel that much more can be accomplished through cooperation of such a committee.

Very truly yours,

DUNN AND WILSON.
By WM. JENNINGS DUNN.

EXHIBIT No. 1017

THE BILLOWS HOTEL,
Miami Beach, Fla., July 15, 1943.

Mr. GLYNN O. RASCO,
*Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.*

DEAR MR. RASCO: I am secretary of the Wolmaz Corporation, which owns the Billows Hotel and, on behalf of this corporation, may I say that we wish to have a readjustment of the rental on this hotel. The amount now being paid is not adequate.

I urge that an impartial committee be appointed to adjust our claim equitably.

Very truly yours,

WOLMAZ CORPORATION,
By A. H. MAYOR,
Secretary.

EXHIBIT No. 1018

THE CARIBBEAN,
Miami Beach, July 15, 1943.

Mr. GLYNN O. RASCO,
*Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.*

DEAR MR. RASCO: With reference to the Caribbean Hotel, of which I am the owner, may I say that this is to confirm that I desire to have a readjustment of rental on this hotel. The amount being paid to me is inadequate.

I urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

S. ROBERT SIEGEL.

EXHIBIT No. 1019

JULY 16, 1943.

Re Carlyle Hotel.

Mr. GLYNN O. RASCO,
*Executive Manager, Miami Beach Hotel Owners' Association,
Miami Beach, Fla.*

DEAR MR. RASCO: Referring to the above-named hotel, of which I am the owner, may I say that this is confirmation that I desire to have a readjustment of rental for this hotel. The amount now being paid is not adequate.

May I very strongly urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

SAMUEL KULOK.

EXHIBIT No. 1020

CHARLES HOTEL,
Miami Beach, Fla., July 14, 1943.

Re Charles Hotel.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: With reference to the Charles Hotel, at Collins Avenue and Fifteenth Street, Miami Beach, which we own, may we say that this is to confirm that it is our desire to have a readjustment of rental on this hotel. The amount being paid to us is inadequate.

We urge that an impartial committee be appointed to adjust our claims equitably.

Very truly yours,

SAMUEL G. BAST,
President,
JANET LOPKIN,
Secretary,
Officers of the Charles Corporation.

EXHIBIT No. 1021

CHESTERFIELD HOTEL,
July 15, 1943.

Re Chesterfield Hotel.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: With reference to the Chesterfield Hotel, which I own, may I say that this is to confirm that I desire to have a readjustment of rental on my hotel. The amount being paid to me is not adequate.

I urge that an impartial committee be appointed to adjust my claim equitably

Very truly yours,

LEO EISENSTEIN.

APPRAISAL REPORT PREPARED FOR MR. LEO EISENSTEIN, 735 FOURTEENTH PLACE, MIAMI BEACH, FLA., OF CHESTERFIELD HOTEL, 855 COLLINS AVENUE, MIAMI BEACH, FLA.

D. Earl Wilson, member American Institute of Real Estate Appraisers,
appraiser

CERTIFICATE OF VALUATION

D. Earl Wilson does hereby certify that upon application for valuation by Mr. Leo Eisenstein, 735 Fourteenth Place, Miami Beach, Fla., that he has personally inspected the hotel property located at 855 Collins Avenue, Miami Beach, Fla., and known as the Chesterfield Hotel, which is legally described hereinafter, and that in his opinion, the fair market value, including the furniture, furnishings, fixtures, and equipment was \$100,000 as of April 8, 1942, and \$89,250 as of May 12, 1943.

He further states that he has no past, present, or future contemplated interest in the property appraised herein.

In witness whereof, D. Earl Wilson has caused these presents to be signed this 31st day of May 1943.

D. EARL WILSON.

This certificate of valuation includes a report of 15 pages attached hereto and made a part hereof.

MIAMI, FLA., May 30, 1943.

Mr. LEO EISENSTEIN,
Miami Beach, Fla.

DEAR MR. EISENSTEIN: Pursuant to your request I have made a personal inspection and investigation for the purpose of determining the fair market value, as of April 8, 1942, and as of May 12, 1943, of the Chesterfield Hotel, located at 855 Collins Avenue, Miami Beach, Fla., which is more particularly described as follows:

LEGAL DESCRIPTION

Lot 15, block 13, ocean beach addition No. 1, according to the plat thereof, recorded in plat book 3, page 11, of the public records of Dade County, Fla.

LOCATION

The appraised property is located on the east side of Collins Avenue and is 50 feet south of Ninth Street. The hotel building is known as 855 Collins Avenue, Miami Beach, Fla.

SIZE OF LOT

This lot has a frontage of 50 feet facing west on Collins Avenue and a depth of 140.06 feet running back to a paved alley at the east end of the lot.

STREET IMPROVEMENTS

Collins Avenue is paved full width and has sidewalk, curb, and gutter.

ZONING

This property has the "RE" zoning classification which denotes buildings of a multiple family class, such as hotels and apartment houses.

DESCRIPTION OF BUILDING IMPROVEMENTS

Located on this property is a building known as the Chesterfield Hotel, which consists of a three-story and basement hotel building containing 56 guest rooms and a lobby. The building has reinforced concrete frame and pilaster construction and cement block curtain walls. The building is stuccoed on the exterior. The roof is of built-up construction and has a gravel surface.

The basement in the building has concrete and terrazzo floors and contains recreation and dining room, kitchen, men's and women's public toilet rooms, six rooms used for help's quarters or hotel rooms and a boiler room. The main floor of the building contains lobby and desk and 14 guest rooms. The second floor contains 18 guest rooms, and there are the same number of rooms on the third floor. On the roof of the building is the elevator penthouse and a solarium at the east end of the building. The roof has a stairway and 2 toilets with shower baths.

The interior walls of the building are furred and plastered. The window frames and sash are steel with tile window stools. Flooring on the first floor level is concrete slabs, covered with carpet. The second and third floors of the building are wooden and covered with carpet. Each guest room has private bath. The bathrooms have toilet, lavatory, tile floor, and wainscoting. Eight of them have shower stalls while the rest have bath tub with shower head over the tub.

There is an Otis automatic electric elevator which operates between the first and third floors. There are two stairways; one located in the front of the building beside the elevator shaft and the other located at the east end of the building directly at the end of the hallways. The stairway from the lobby is wooden above the ground floor level and the stairway at end east end of the building is poured concrete. The building is equipped with gas steam radiators located in the hallways. Hot water is supplied by an automatic oil burner. There is a porch with a terrazzo floor across the front of the building on the first floor. Each room is wired for telephone service.

CONDITIONS OF BUILDING IMPROVEMENTS

This hotel was completed the latter part of 1938. I am assuming that from the time of completion until the Army took the hotel over for use as barracks, that the depreciation of the building had been normal. During the past year or so of occupancy by the Army, in my opinion, the depreciation has been accelerated from 10 to 15 percent. This is primarily due to abnormal occupancy of the guest rooms as compared to the normal occupancy and use the building would receive under tourist hotel operation. This building appeared to be in structurally sound condition and current repairs have been fairly well maintained. The acceleration in depreciation has been brought about by hard usage.

FURNITURE, FURNISHINGS, FIXTURES, AND EQUIPMENT

As of the date of my inspection of the property, practically all of the furniture had been removed from the lobby of the building and the furniture remaining in a typical guest room consisted of twin beds, one straight chair, two chests of drawers, and night table. Some rooms had writing desks. The guest room floors were carpeted, but all drapes and pictures had been removed from the walls. There were venetian blinds still at the windows. Judging from the furniture that I saw, the hotel was originally attractively furnished with good quality furniture.

CONDITION OF FURNITURE, FURNISHINGS, FIXTURES, AND EQUIPMENT

The furniture remaining in the hotel, as of the date I inspected the property, was getting excessive wear. A number of the flat-top pieces, such as chest of drawers and tables, had numerous cigarette burns on them. The foot rails on the bedsteads were marred by shoes. The carpets on the floors, especially in front of the bathroom doors, were stained, probably from water. The carpet on the stairways was considerably worn also.

ADEQUACY OF IMPROVEMENTS

In my opinion, the appraised building improvements constitute a maximum and best use of the site on which it is located.

DATA ON THE DISTRICT

This hotel property is located in an area which is fairly well built up with hotels comparable to this one in size. It is approximately one block west of Lummus Park and the public bathing-beach facilities. The property is one block east of Washington Avenue, which is well built up with stores and shops in this vicinity. Both bus and jitney transportation facilities are easily accessible. The property is conveniently located to all of the shopping centers on Miami Beach and to golf courses, night clubs, and other places of amusement.

CONSTRUCTION COST OF BUILDING IMPROVEMENTS

I have estimated the cubical contents of this building to be approximately 223,000 cubic feet.

In my opinion, 33 cents per cube would represent the cubic-foot cost of construction of a building of this character under conditions which existed at the time this building was erected, with respect to costs of material and labor. If the building could be built today, the cost of materials and labor would be considerably in excess of the cost per cubic foot, as I have set forth above.

In my opinion, 223,000 cubic feet, at 33 cents per cubic foot, or \$73,600, is the construction cost of this building, as of 1938, the year it was completed.

Assessed value and taxes for 1942

	Assessed values	Taxes
Building:		
City of Miami Beach.....	\$25, 650	\$615. 60
State and county.....	67, 000	723. 60
Contents:		
City of Miami Beach.....	3, 500	84. 00
State and county.....	6, 000	71. 28

LAND VALUE

In my opinion, the fair market value, as of April 8, 1942, of the land, as set forth hereinbefore under "Legal description," and exclusive of the building improvements is \$15,000.

VALUE OF FURNITURE, FURNISHINGS, FIXTURES, AND EQUIPMENT

I have estimated the value of the furniture, furnishings, fixtures, and equipment at \$16,000, as the original cost. In my opinion, the fair market value, as of April 8, 1942, of the furniture, furnishings, fixtures, and equipment is \$10,500 or approximately \$187.50 per guest room.

INCOME AND EXPENSE

This property has been leased since its completion. The original lease began the latter part of 1938 and continued until April 7, 1942, the date it was taken over by the United States Army. The total gross income, as reported to me, was \$64,070.75. This represents the income received under the lease from the building for a 5-year period. Four of these years, the property was operated under lease as a tourist hotel, during which time the average gross annual income to the lessor was \$13,210. The fifth year was during the occupancy by the United States Army and the rental income paid for this year was \$11,218.75.

Under the caption of "Distribution of hotel earnings under lease," found hereinafter in this report, I have set up the items of depreciation and fixed charges which, on this property amount to around \$5,000 annually.

While there were certain unusual favorable and unfavorable factors existent during these 4 years, prior to Army occupancy, which had their effect on hotel operation, I am assuming that these 4 years more or less reflected normal operation. Therefore, my economic analysis of this property has been largely predicated upon these income figures furnished me in connection with this appraisal.

STRUCTURAL MAINTENANCE

I have estimated the structural maintenance of these building improvements to be \$500 per year. This item will provide for periodic (every 3 to 5 years) exterior structural maintenance of the building, such as waterproofing, painting the window frames and sash and metal work, caulking the windows, roof repairs, etc.

From the information which I have in my files, as well as the information I have obtained from sources which I consider to be reliable, I estimate that it will cost \$1,250 annually for periodic (every 2 to 3 years) painting, repairing, and reconditioning the interior of the building and for the maintenance of the furniture, furnishings, fixtures, and equipment.

SINKING FUND—BUILDING

I am assuming that the appraised building improvements have a 35-year useful economic life. I have set up an annual amortization of a 4-percent basis to provide for the replacement of the capital investment at the end of its useful life; \$1,057 set aside annually from the earnings and compounded at 4 percent interest, will return the value (\$66,250) as of April 8, 1942, of all the improvements at the end of 32 years.

SINKING FUND—FURNITURE, FURNISHINGS, FIXTURES, AND EQUIPMENT

I am assuming that the furniture, furnishings, fixtures, and equipment in this building have a 10-year useful economic life. I have set up an annual amortization on a 4-percent basis to provide for the replacement of the capital investment at the end of its useful life; \$1,317 set aside annually from the earnings and compounded at 4 percent interest, will return the value (\$10,500) as of April 8, 1942, of the furniture, furnishings, fixtures, and equipment at the end of 8 years.

CAPITALIZATION

I am of the opinion that the proper interest rate of return on the replacement value of the building improvements, as of April 8, 1942, considering the speculative risks involved, is 8 percent.

The proper interest rate of return on the land, as of April 8, 1942, considering the speculative risks involved, is 8 percent.

The proper interest rate of return on the furniture, furnishings, fixtures, and equipment, as of April 8, 1942, considering the speculative risks involved, is 10 percent.

These capitalization rates may appear somewhat high, but in my opinion, they are the proper rates to use in projects where practically 12 months' business must be accomplished in 3 months.

Summary of physical valuations

Estimated cost of building improvements (new)-----	\$73,600	
Less depreciation, 10 percent (35-year useful life, 3½ years consumed)-----	7,350	\$66,250
Estimated cost of furniture, furnishings, fixtures, and equipment (new)-----	16,000	
Less depreciation, 35 percent (10-year useful life, 3½ years consumed)-----	5,500	10,500
Land value-----		15,000
Total physical value of property, as of Apr. 8, 1942-----		91,750

Distribution of hotel earnings under lease

Capital return (interest):		
\$66,250 value of building at 8-percent return-----	\$5,300.00	
10,500 value of furniture, etc., at 10-percent return-----	1,050.00	
15,000 value of land at 8-percent return-----	1,200.00	
91,750-----	7,550.00	
Capital recovery (depreciation):		
Sinking fund, building-----	1,057.00	
Sinking fund, furniture, etc-----	1,317.00	
Fixed charges:		
Taxes, 1942 real and personal-----	1,494.48	
Insurance-----	648.48	
Outside maintenance-----	500.00	
Total-----	5,016.96	
Owner's return on investment (April 1942)-----	7,550.00	
Capital recovery and fixed charges-----	5,016.96	
Estimated rental value of property (approximately \$220 per room)-----	12,566.96	
Owner's actual income under lease (1938 through 1942)-----	64,070.75	
Average annual income for 5-year period-----	12,814.15	
Average lease rental per hotel guest room-----	228.82	

INFORMATION REGARDING PRESENT LEASE

The entire property appraised herein, excepting certain minor pieces of furniture, was leased to the United States Army on April 8, 1942. The lease expires on June 30, 1943. The lessee under the terms of the lease has the option of renewal. The annual rental provided for in the lease is on the basis of \$11,250 per year. The lessee has the privilege of canceling the lease upon 30 days' advance notice to the lessor. Under the terms of the lease the lessor pays taxes, insurance, and depreciation. There is no mention made of the maintenance of the building but I am presuming that the interior of the building is to be maintained by the lessee and the exterior of the building by the lessor.

APPRAISER'S COMMENTS

The appraised property is one of the hotels in the 50- to 60-room class which are located on Collins Avenue approximately one block west of Lummus Park and the ocean public bathing beach. This hotel is comparatively new and is of modern design.

In determining the fair market value of hotel property at Miami Beach, as of April 1942 and as of May 1943, it is obvious that consideration must be given to many factors that are now present, or in effect that would not be found in more normal years.

When approaching the value of a hotel property from the economic viewpoint, the average earning history of the property, in particular, and the hotel busi-

ness, in general, for the past several years must be weighed. The capacity of the property for profitable utilization within the reasonably contemplated future is also of prime importance. The average net annual earnings of the property over a term of years is the figure sought, and upon which the value of the property is largely predicated. The annual rental for leasing, of from 5 to 10 years, is also based primarily upon this figure.

Quite a few of the hotel properties at Miami Beach have been built by the owners for the purpose of term leases. Some owners have found the operation to be so profitable that they have operated the hotels themselves or made the leases on a percentage basis which would permit them to participate in the large earnings. The great number of hotels built at Miami Beach during the past 8 years is evidence in itself that they must be very good paying investments.

I have computed the fair annual rental on a term lease for the Chesterfield Hotel to be \$220 per room. This rental as set forth in this appraisal takes care of the fixed charges, depreciation, and pays the owner a good return on his investment. However, some hotels fairly comparable to the Chesterfield have been leased at a higher rental.

I have charge of an 80-room hotel in a lower price bracket, located in South Beach. The income of this hotel this year was 17 percent less than the annual average income over a 9-year period. So, when it is assumed that the past 2 years will reflect normalcy over a period of years, the assumption is at least conservative.

The use of resort hotels as barracks for the United States Army troops in this area, at least, is a new idea in military operations. After a year's occupancy by the Army, it has been found that excessive wear and tear, in other words, accelerated depreciation takes place because of the greater number of persons housed in the hotels above normal operations. It can be readily appreciated that 200 soldiers are going to give a hotel and its furniture, furnishings, fixtures, and equipment heavier and harder use than would 200 guests composed of men and women, many of whom would be elderly, over the same period of time. The resort hotel under civilian use and occupancy only operates from 4 to 5 months during the year, while under Army use it is occupied and used to capacity for the full 12 months. As an example of excessive use, the beds would get from three to four times greater annual use by the Army; the bathrooms, with seven men in a room would receive around three to four times greater daily use than under ordinary hotel guest occupancy of two guests per room. Then considering a full year's use as compared with 4 month's use, the hotel bathrooms get 9 to 12 times the annual use under Army occupancy that they would get under guest hotel occupancy. The other equipment in the hotel will have similar excessive use.

I personally inspected the property with the owner and from my own observation and from items which the owner pointed out to me, it is my opinion that it will require about \$5,000 to restore the building to good operating condition and about \$5,750 to refinish the furniture, furnishings, fixtures, and equipment to a condition satisfactory for operation. However, the total amount of restoration required cannot be determined until the building has actually been returned to the owner and the inventory checked off by the lessor and the lessee.

While considering the cost of repairs to restore the building and the furniture to required condition for competitive hotel operation, some thought should also be given to the extent of time required to effect this rehabilitation.

If these hotel properties are all (approximately 375 hotels and apartments) to be returned to the owners at the same time or even over a period of a year, it is very doubtful if there are sufficient skilled craftsmen to accomplish this work in this area. The labor is now in the armed forces or in war industries and is not immediately available to do this type of civilian work. The same labor situation that is found with respect to rehabilitation of the building will also be found with respect to repairing and refinishing the old furniture. On the other hand, should one decide to purchase new furniture, his situation of supply remains about the same. I have talked to furniture men in this respect and they say that the furniture factories have lost their craftsmen to the armed forces and to war industries and it will be some time after the war is over before they are reorganized and new furniture will be available to meet civilian demand.

However, this is not all the difficulties that confront the hotel owner when his hotel is returned. There is the additional difficulty of priorities in obtaining the required materials even if they are available. Many materials are not available now. Then too, if there are any restrictions against permits for this type of building work, they would have to be relaxed.

Unconditional surrender by the enemy will not mean immediate release from priorities. Furniture manufacturers, hardware companies, and material supply houses see a possibility for a continuation of priorities for some time after the enemy surrender.

Under normal circumstances, the no labor or material shortages, it would take 3 to 4 months to rehabilitate the Chesterfield Hotel.

In view of the foregoing building and furniture situation, a hotel owner is faced with the loss of perhaps a year's rent after the Army returns the property to him before he can restore it for guest occupancy.

Another item to be considered is that of telephone service. With around 375 hotels and apartment houses taken over by the Army, there has been probably around 250 telephone exchanges and around 20,000 telephones removed from these hotels and apartments. When restoration of these hotels and furnishings has been completed they will still be virtually unable to operate without telephone service. I understand that to replace these switchboards and telephones in these hotels will require a permit from the War Production Board. The problem of equipment now arises. The telephone company advised me that the manufacture of this equipment has been virtually stopped since the war and it is uncertain as to how soon the equipment will be available to restoration of service in these hotels. This is a problem of substantial moment.

Summarizing the foregoing, a hotel owner is justly entitled to consideration of an increase in rental of that called for in the lease for the rehabilitation of his building, for the refinishing and replacement of the furniture, furnishings, fixtures, and equipment, and for the rental allowance of time required to restore the hotel to full operating condition.

These items are the tangible claims. There are also intangible items, such as "goodwill" or the "going concern value" of an organization and a clientele which are valuable business assets. Both of these assets are seriously depleted if not completely lost by the Army's occupancy of this property.

In my opinion, based upon the estimates and the information set forth herein, a fair and equitable estimate of the forementioned tangible items, as of May 12, 1943, would be as follows:

Rental deficiency under present 1-year lease occupancy-----	\$1, 500
Rehabilitation of building-----	5, 000
Refinishing furniture and fixtures-----	5, 750
Rental on building during period of restoration (if building is returned to owner between the 1st day of October and the 30th day of the following April)-----	12, 750
Total-----	25, 000

FAIR MARKET VALUE

In my opinion, the fair market value of this property, including the furniture, furnishings, fixtures, and equipment was \$100,000 as of April 8, 1942, and \$89,250 as of May 12, 1943.

The foregoing valuations were based upon building costs as of 1938, 1939, and 1940. Building costs, as of 1943, would be substantially higher because of labor and material shortages. Private enterprise would consider it uneconomical to build under the high costs of today, even if material, labor, and priorities were available.

The difference in value of the property for the 2 years is due principally to the accelerated depreciation that has taken place during that time and not to the changed conditions in the real-estate market.

I have no past, present, or future contemplated interest in the property appraised herein or in the claims for adjustment that have been compiled and which are set forth in this report.

Respectfully submitted.

D. EARL WILSON.

QUALIFICATIONS OF D. EARL WILSON

Resident of Miami, Fla., for the past 42 years.

Active in real-estate business, specializing in appraising real and personal property in Florida for the past 22 years.

Has constructed, operated, and owned store buildings, apartment houses, warehouses, and filling stations, and managed hotels, office buildings, garages, and commercial buildings.

Has appraised vacant and improved property in the metropolitan Miami area and in various other cities and counties in the State of Florida, and is particularly familiar with property values in the vicinity of property appraised herein.

Member of the American Institute of Real Estate Appraisers.

President of the Florida chapter of the American Institute of Real Estate Appraisers for the year 1936.

President of the Miami Board of Realtors during 1930.

Chairman of the appraisal committee of the Miami Board of Realtors for 4 years.

Chairman of the appraisal committee of the Florida Association of Real Estate Boards for 2 years.

Former member of the Florida Real Estate Commission.

An approved valuator of Miami, Miami Beach, and Coral Gables real estate for the Reconstruction Finance Corporation, Federal Housing Administration, Home Owners' Loan Corporation, Prudential Life Insurance Co., New York Life Insurance Co., and Jefferson Standard Life Insurance Co.

Has appraised the McAllister, the Everglades, and the Alcazar Hotels in Miami; the Miami Biltmore Hotel in Coral Gables; the Roney Plaza, the Floridian, the Wofford, and many other hotels in Miami Beach; the Boca Raton Club, in Boca Raton; the Palm Beach Biltmore and the Whitehall Hotels in Palm Beach; the George Washington and the Royal Worth Hotels in West Palm Beach; and other hotels in southeast Florida.

Has made reports analyzing assessments for taxation purposes on office buildings, hotels, apartment houses, and store buildings. Has testified as to real-estate values in the Federal courts of Indiana, New York, and Florida, and in circuit courts of Dade County, Fla.

Is consulted and quoted by the investigators of the Income and Estate Tax Divisions of the United States Government on matters pertaining to the values of real estate in the metropolitan Miami area.

CONDITIONS OF APPRAISALS

1. Unless otherwise specifically stated, the value given in this appraisal report represents the opinion of the signer as to the fair market value as of the date specified. Market values of real estate are affected by economic conditions, both local and national. Therefore market values of real estate will vary with future market conditions affecting real estate.

2. The value given in this appraisal report is gross, without consideration given to any encumbrance, restriction, or question of title unless so stated.

3. This appraisal report covers the premises herein described only. Neither the figures herein nor any analysis thereof, nor any unit values derived therefrom are to be construed as applicable to any other property, however similar the same may be.

4. It is assumed that the title to said premises is good; that the description of the premises is correct; that the improvements are entirely and correctly located on the property described; and that there are no encroachments on this property; but no investigation or survey has been made unless so stated.

5. The information as to the description of the premises, restrictions, improvements, and income features of the property involved in this report is as has been submitted by the applicant for this appraisal, or as has been obtained by the signer hereto. All of such information is considered to be correct. However, no responsibility is assumed as to the correctness thereof unless so stated in this report.

6. This appraisal expresses the opinion of the signer and has in no way been contingent upon the report of a predetermined or specified value, nor upon any finding to be reported.

7. The contract for the appraisal of said premises is fulfilled by the signer hereto upon the delivery of this appraisal duly executed.

8. This appraisal report is made for Mr. Leo Eisenstein, 735 Fourteenth Place, Miami Beach, Fla.

EXHIBIT No. 1022

DECEMBER 27, 1943.

MIAMI BEACH HOTEL OWNERS ASSOCIATION,
Miami Beach, Fla.

GENTLEMEN: I hereby present a claim for you to present to the Truman committee, as follows:

On April 20, 1942, the Government leased from us the Clay Hotel, located at 1438 Washington Avenue, Miami Beach. On June 19, 1942, they canceled the lease. On November 2, 1942, the Government took repossession of it.

Our first agreement with the United States Government was \$16,750 per annum. On the second contract, they forced us down to \$15,000 per annum. Now, our claim is the loss of time between cancelation June 19, 1942, and reoccupying it on November 2, 1942. Therefore, we feel that the difference between the first contract and the second contract should be reimbursed to us, also for the loss of time between those periods.

The balance of the property has suffered considerably by blocking up the streets and we have most of the revenues from the stores, which I think should also be taken into consideration.

Trusting that you will give this matter your consideration.

CLAY HOLDING Co.,
HARRY KRAMER, *President*.

EXHIBIT No. 1023

THE CLYDE HOTEL,
Miami Beach, Fla., July 15, 1943.

Mr. GLYNN O. RASCO.
Executive Manager, Miami Beach Hotel Owners Association.
Miami Beach, Fla.

DEAR MR. RASCO: I sincerely urge the appointment of an impartial committee to adjust my claim on the above hotel when the same is to be returned, to the end that the building and its contents will be repaired and replaced into its original condition.

It is my understanding at this time that owners are being misled into the belief that they can with a cash settlement replace their properties into the original condition, where as a fact it is impossible at this time to employ men or obtain materials to do the work.

In my experience in the construction industry and also as an appraiser in these matters I find that we are in no way receiving just settlements, or that any impartial appraisals or offers are being made by those in authority.

Very truly yours,

President, Clyde Corporation.

EXHIBIT No. 1024

THE COLONY HOTEL,
Miami Beach, Fla., July 15, 1943.

MIAMI BEACH HOTEL OWNERS ASSOCIATION,
Miami, Beach, Fla.

(Attention: Glynn O. Rasco.)

GENTLEMEN: In reference to the Colony Hotel, I do not feel that I have been paid a rent whereby I could receive an equitable return on my investment. Therefore, I urge you to do everything in your power to have an impartial committee appointed with power to readjust the rent on an equitable basis.

Very truly yours,

DR. FRANK OLDING.

EXHIBIT No. 1025

CROTON HOTEL,
Miami Beach, Fla., July 13, 1943.Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: With reference to the Croton Hotel, 7326 Collins Avenue, which I own, may I say that this is to confirm that I desire to have a readjustment of rental on my hotel. The amount paid to me is inadequate.

When I was called into Colonel Fitch's office, I was made to understand that I must accept an option of \$9,250, or threatened if I did not accept this, they could make it pretty tough for me by closing the street for military reservation.

Under duress I signed this option.

I urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

SAMUEL BARR BERMAN,
JULIE BERMAN,
Owners.

JULY 28, 1943.

Re Croton Hotel, Miami Beach, Fla.

Mr. RUDOLPH HALLEY,
Truman Committee, Washington, D. C.

DEAR MR. HALLEY: Mr. Glynn O. Rasco, of the Miami Beach Hotel Owners Association, has suggested that I write to you with reference to my hotel.

Some time in the fall of 1942 I signed an option for the lease of this property to the Army, but this option was not exercised. I then left the city for a short time, and during my absence Mr. Sacks called my wife on the telephone saying that they were ready to take over the hotel, and wanted to know if we were satisfied with the option the Army had given us. My wife advised that the option had expired 10 days previously.

Mr. Sacks told my wife at that time that the Army was coming into the hotel anyway, and asked for the keys. She gave the keys to him saying he could have them until I returned to the city at which time a lease could be arranged.

Upon my return I was called to Major Fitch's office. As we got nowhere in the conversation with reference to terms, I suggested that the property be appraised. The appraisal was returned and I noticed that a \$12,000 rental was approved for my hotel.

I complained at that time that I knew of 50-room hotels, 5 years older than my building that were getting \$10,000, and I knew of a 50-room hotel about the age of my building that was getting \$11,000, and that the average 50-room hotel on Collins Avenue was getting from \$12,000 to \$13,500 per year.

Major Fitch did not like my attitude and said I was not patriotic and that they could make it tough for me if I would not let the Army move in. I said, "The Army is already in my building. I have not put them out; you are putting me out. What are you offering for my building, and why bring up patriotism? I am a veteran of the last war and saw service overseas and tried to get into this war, but they claim I am too old, so I have proven my patriotism there."

This seemed to upset him a little bit. He then said, "You will accept \$9,250. Take it or leave it. That is the best we can do for you."

Not knowing what to do, or to whom to go, I was at the mercy of Major Fitch's decision.

My hotel is only 3 years old, and is valued at \$100,000. If leased, it would bring about \$15,000 per annum.

I had to remove part of the furniture and carpets. These had to be stored, and then returned to the hotel and replaced. The total cost of this is \$1,133.

In settlement for damages (my hotel is to be returned to me on July 31) I was first offered \$3,061. The next offer made to me was \$4,100, which also included 28 days of rental for the property.

I have had the services of very competent estimators and according to the estimate of a reliable architect, it will cost about \$8,000 to restore my hotel to its original condition, ordinary wear and tear excepted.

As yet no settlement has been made, although I have an appointment for tomorrow afternoon for further discussion of the situation.

I am puzzled by the Government offer of \$4,100 for damages, because according to their own figures it would cost \$5,886.17 to make the necessary repairs.

Very truly yours,

SAMUEL BARR BERMAN.

EXHIBIT No. 1026

CROYDON ARMS,
Miami Beach, Fla., July 19, 1943.

Mr. GLYNN O. RASCO,
Miami Beach Hotel Owners Association, Miami Beach, Fla.

DEAR MR. RASCO: Referring to the Croydon Arms Hotel may I say that this is to confirm that I desire to have a readjustment of the rental on this hotel. The amount now being paid to me is inadequate.

I urgently request that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

HARRY FINK.

STATE OF FLORIDA,
County of Dade, ss:

Before me, the undersigned notary public duly authorized to administer oaths and take acknowledgements under the laws of the State of Florida, on this day personally appeared Harry Fink, who, being first duly sworn, upon his oath deposes and says:

That I received a letter some time in September 1942, from the post engineer, regarding Croydon Arms Hotel. I went to see a man named Joe Ensler and we discussed the Croydon Arms Hotel. He wanted me to sign an option to lease the hotel at the rate of \$25,000 a year, which I refused to do. I asked him if this meant the Government wanted the hotel. He said, "I can't tell you. They might take and they might not take it a year from now." I then asked him why he wanted me to sign an option and how he got the price of \$25,000, as he had never seen my hotel and I did not recollect anybody coming in there to examine it. He said \$25,000 was all they could offer me. I walked out. Later on I went to great expense getting my hotel in shape to open up and, as late as the 15th of October, I made efforts to find out if the Government was going to take over my property and there was no way to find that out. I then sent my manager on the road to contact former clients and see what new business we could get. In the meantime there were all kinds of rumors around town about the Government taking hotels over, and around November 1 I called my manager back as it seemed like they were taking hotels in different parts of town. On November 9, 1942, I received a call from the real-estate project office.

I went down and saw a Mr. John Frazier, and he said the Government was interested in leasing the Croydon Arms Hotel. We started to discuss terms. He offered me \$25,000, and I refused it. He said, "You know if you don't take our offer, the Government can take your hotel away." I asked him why they didn't do it; they had the power to go to court and take it and I couldn't stop them. I did not accept the price. When he saw we couldn't get anywhere he sent me down to Colonel Fitch. I met Colonel Fitch and we discussed the hotel. He offered me \$25,000, which I refused. During this discussion I asked Colonel Fitch how they arrived at these figures, whether it was on invested capital, or at so much a square feet in the rooms, or at so much a man monthly. He said he couldn't answer as it was a military secret. I asked him how I could take his offer when he didn't even know what was in my hotel. When I explained how many rooms there were, he brought out a questionnaire showing where I offered my hotel in May 1942 and tried every way possible to make a deal with the Government or run the hotel for the Government, taking in officers or soldiers and to which I never received a reply. I wrote a letter offering my hotel to General Wooten. I was very anxious to make a deal for my hotel as I was under the impression that the hotels were going to be taken for the duration of the war and I wouldn't have to bother with it. In my questionnaire I filled in a price of \$40,000, and in the conversation with Colonel Fitch he told me I knew they wouldn't give me \$40,000 for my hotel. I told him I didn't know what they would give; all I wanted was what anybody else got for their hotels. I asked him to explain what kind of a yardstick he used in taking my property over. He did not explain that.

I told him we couldn't do business and if he wanted my property he had the power and he could take it through a court order. It seemed he wasn't as much interested in the hotel as he was in the lot adjoining the hotel, which was 200 feet on Collins Avenue. He wanted that property for a mess hall and wanted it immediately. He said, "We will make a deal for your hotel". I told him not at that price and when I explained that there were more rooms than the questionnaire showed, he said I should have told him and that he would order a special appraisal made of the Croydon Arms Hotel, which he did. When the appraiser came back a few hours later he offered me \$27,000, and I refused.

He then offered \$29,000. I refused that. He finally offered me \$31,000, which I accepted as I was tired or arguing with him. When I got through, they put a paper in front of me and a signed letter which was not even filled out to show for what purpose the hotel was taken. The reason was that he wanted permission from me before starting work on the building of the mess hall right away. It was very important. He assured me that they would take my hotel. I told him there was no use in taking the lot and leaving the hotel and there was no use in taking the hotel and leaving the lot. I was just going to give him permission to start building when I happened to look at the inventory slip of what the Government wanted in the line of linens, silver, blankets, etc., and I saw that he had no power to make a verbal agreement and I refused it. They hurried and prepared a contract for the lot and hotel, and allowed me an additional \$1,175 for my lot. I have an investment of around \$350,000 in the two properties. When I got through with Colonel Fitch and went away I met one of the appraisers, Mr. Joseph Cohen. He asked if I was satisfied with the price on the Croydon Arms Hotel. I asked him what he meant by a good price, and told him I got \$31,000 on the hotel and \$1,175 on the lot. He said, "Why, I appraised that property at \$36,000 and that was the least you should get and that it was a fair appraisal."

I cannot understand the discrimination in prices all over the beach in regard to hotels and the equipment that they took over from the hotels. In my hotel they didn't buy the blankets. Also they didn't take any carpets from the rooms. I had no way of taking care of my carpet, as people wanted very big prices to take it out. I left it there, and they told me I did so at my own risk. After a few weeks I saw they were wearing out my carpet and had it taken out of the hotel for \$1,250 by the Maxwell Furniture Co. Later on I got a report from the post exchange engineer's office that my hotel was inspected at various times, first on November 18, 1942, according to their report, which was 8 days after they moved in my hotel. It advised me they would take possession of my hotel at 8 a. m. Thursday, November 12, 1942. I told them I could not get ready to leave in 48 hours. They said it had to be that way. Tuesday morning, November 10, they moved in about 100 servicemen. Wednesday morning they put some more in. In the meantime they allowed me and my wife to stay in the hotel up in the penthouse, and we moved out of there Friday afternoon. That is the kind of hurry they were in. I have another report of inspection, showing inspections at various dates from November 18 to as late as December 20, 1942, anywhere from 10 days to a month and a half later, and the report showed that every toilet was broken, every seat in the building was broken, and there was all kinds of damage. When I turned the hotel over to them it was in perfect shape, as the appraisers were there sometime before that for the first appraisal and asked me when the hotel was built. They were surprised to see the shape it was in. I told them we had just finished fixing everything up and were ready to open. A little later I received a letter from the post engineer, telling me if I did not fix the toilets and the lavatories they would give the hotel back in 5 days. I had them fixed at an additional expense of around \$900, by Alexander Orr, Jr., Plumbing Co. I also received a letter about the same time finding fault with the electric wiring in the hotel. This cost me around \$110.

Later on I received notices from the post engineer that the windows were broken and called my attention to the fact that I was to take care of the exterior. I went down to see the post engineer, asked why he thought they were broken from the outside. It seemed reasonable to me that they might have been broken from the inside. I refused to fix them. Evidently they fixed them themselves, since I was not bothered any more about the matter. I also received letters about minor matters, such as fire and burned mattresses and said something about fixing them. I ignored the letters, and they stopped bothering me about any damage to the hotel. In regard to linens, I received word from the quartermaster department that they would like to buy my linens. When I saw Captain McClure I sold them about \$2,000 worth of linens. The same tactics were used there in beating down prices as with hotels. I will mention one special item. I produced bills showing the cost of bath towels at \$4.90 a dozen, not counting freight. Captain McClure said it was too high; the Government didn't want high-priced towels. After beating around the bush, he finally offered me around \$4.40 a dozen for linens that cost \$4.90. His excuse was that the name of the hotel was on them, and he wouldn't pay the extra 50 cents per dozen on that account. They also took over 500 gallons of oil in a tank. I asked Captain McClure about taking that and what inventory it would be on. He told me he had no appropriation for it; to leave it there, and I would get paid. I have

never been paid for that up to this date. Every department I was sent to had one excuse or another or no appropriation for it.

And further affiant sayeth naught.

HARRY FINK.

Subscribed and sworn to before me this the 10th day of January 1944.

[SEAL]

SARAH E. ALVEY,

Notary Public, State of Florida at Large.

My commission expires January 15, 1945.

EXHIBIT No. 1027

JULY 29, 1943.

Re Davis Hotel, Miami Beach, Fla.

Mr. RUDOLPH HALLEY,

Truman Committee, Washington, D. C.

DEAR SIR: I feel there has been a great injustice done to me as owner of the above-mentioned hotel, and I would have liked the opportunity to see you while you were here so I could have explained the entire situation.

My hotel was only 4 months old at the time the Army took it over, April 23, 1942. It has a valuation of \$75,000, and prior to the time the Army took it over I was offered \$9,300 for a lease thereon.

The Army refused to pay more than \$6,000 and required that I remove certain furniture and fixtures therefrom at the approximate cost of moving and returning of \$200 plus the storage I have been required to pay.

At the time the Army took the property they demanded my linens, which were only 4 months old, and paid me a price of \$225.08 for these. I have just purchased new linens to replace the ones taken by the Army at a price of \$800.

The amount of money offered to me by the real-estate projects office is \$2,500, which includes repairs to the building and payment for blankets and bed pads. My contractor estimates the damage done and the cost of restoration to be \$7,500.

My hotel is a seasonal hotel and is only operated for a few months during the winter. As the Army has occupied it this past season I feel I should be compensated for additional rental for the balance of the year, as it is through these few months in the winter that I get my yearly rental.

Very truly yours,

DAVID SHAPIRO.

EXHIBIT No. 1028

JULY 20, 1943.

Re Dorset Hotel.

Mr. GLYNN O. RASCO,

Executive Manager, Miami Beach Hotel Owners' Association,

Miami Beach, Fla.

DEAR MR. RASCO: With reference to the Dorset Hotel, of which I am the owner, may I say that this is to confirm that I desire to have a readjustment of rental on this hotel. The amount now being paid to me is not adequate.

I urge the appointment of an impartial committee to adjust my claim equitably.

Very truly yours,

JOSEPHINE GOLDSTRONE.

EXHIBIT No. 1029

DRAKE HOTEL,

July 19, 1943.

Mr. GLYNN O. RASCO,

Executive Manager, Miami Beach Hotel Owners' Association,

Miami Beach, Fla.

DEAR MR. RASCO: As the owner of the Drake Hotel, Miami Beach, may I state that I strongly urge the appointment of an impartial committee to adjust my claims equitably at such time as I have claims with reference to this hotel.

Very truly yours,

WM. SILVERSTEIN.

EXHIBIT No. 1030

HOTEL DUKE,
Miami Beach, Fla., July 16, 1943.

Re Hotel Duke.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: With reference to the Duke Hotel, which I own, may I say that this is to confirm that I desire to have a readjustment of rental on my hotel. The amount being paid to me is not adequate.

I urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

HELEN H. CUTTEN.

EXHIBIT No. 1031

JULY 16, 1943.

Re Edison Hotel.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: With reference to the Edison Hotel at Miami Beach, of which I am the owner, may I say that this is to confirm that I desire to have a readjustment of rental on my hotel. The amount being paid to me is inadequate.

I urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

MORRIS ZARROW.

EXHIBIT No. 1032

THE EMBASSY,
Miami Beach, Fla., July 14, 1943.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: As vice president of the National Investors, Inc., owners of the Embassy Hotel, Miami Beach, Fla., please accept this as confirmation that we wish to have a readjustment of the rental on this hotel. The amount being paid to us is not adequate.

We strongly urge that an impartial committee be appointed to adjust our claims equitably.

Very truly yours,

NATIONAL INVESTORS, INC.,
By VICTOR NAHUM, *Vice President.*

EXHIBIT No. 1033

THE ESSEX HOUSE,
Miami Beach, July 15, 1943.

Re Hotel Essex Corporation, William G. Mechanic, President, and the Warwick Apartment Hotel, William G. Mechanic, owner, Leases Nos. 2287-eng 844, 2287-eng 849.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: I believe it would be extremely beneficial for all parties involved to have an impartial committee set up to determine or arbitrate any and all claims in regard to any adjustments in reference to all rents and any other matters that can and will come up when the property will be released or returned to the owner.

I feel much more can be accomplished through the cooperation of such a committee.

Very truly yours,

WILLIAM G. MECHANIC.

P. S. Reference is also made to letters dated May 27, 1943, addressed to Capt. John E. Holliman, 50 Whitehall Street, Atlanta, Ga.

EXHIBIT No. 1034

THE FAIRMONT HOTEL,
Miami Beach Fla., July 16, 1943.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: Referring to the Fairmont Hotel at Miami Beach, of which I am the owner, may I say that this is to confirm that I desire to have a re-adjustment of rental on my hotel. The amount that has been paid to me is not adequate.

I urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

JOSEPH N. PINACK.

STATE OF FLORIDA,
County of Dade:

On this day personally appeared before me, a notary public, Joseph N. Pinack, who after first being duly sworn deposes and says:

I am president of The Pinack Corporation, which owns the Fairmont Hotel and Annex, which property is now leased to the Government for \$12,750 per year. The hotel consists of 51 rooms, and the annex consists of 20 rooms.

On or about April 27, 1942, Mr. Marcy Liberman called upon me requesting that we release our hotel, the annex, and a bungalow located on the lot, which is 140 feet by 150 feet. We agreed to lease the property to the Government, and I was called to the office of Colonel Fitch to execute an option for lease, and also the occupation permit. These were executed on the 27th day of April 1942, the occupation permit setting forth that the Army wished to occupy the premises at 8 o'clock on May 1, 1942. The option set forth the rental at \$14,500.

After we had executed the option for lease, we contacted the Army and requested to rent the bungalow on the rear of the lot and offered \$500 annual rental therefor. This offer was declined and we were advised within a few days that we could rent the property (the bungalow) for \$1,000 per year, which was an exorbitant rental for this small bungalow, therefore we declined this offer.

On or about the 25th of May 1942 we were advised that the Army wished to take over immediately. I requested 48 hours in which to release the premises, as both the annex and my hotel were full, and it was impossible to secure apartments or rooms for my tenants. The 48 hours was granted to me to vacate all properties, which I did.

However, prior to the time the Army took over, I attempted to move my carpets. I was permitted to remove the rugs in the lobby but one of the officers told me I could not remove the carpets, and if I did so I would have to place something else on the floors. It was impossible to secure any other coverings for the floors.

The Army took possession by placing a guard on the premises at 8 o'clock on May 27, 1942. Prior to this time we had refunded to tenants in the annex and the tenant who had rented the bungalow and had vacated the premises along with the hotel. After doing this, and the Army taking possession, we were called to the office of Colonel Fitch, who advised that he was going to return part of the premises and make a deduction from the amount of rental to be paid. We were then required to sign a new option for lease together with a new occupation permit. These instruments were signed on the afternoon of May 27.

The rental as set forth in the option for lease was \$12,750 and they excluded from the original contract and agreement the west 90 feet of lot 7 and the bungalow thereon; also some storage rooms in the rear of the annex on lot 6,

block 30. When we questioned Colonel Fitch in regard thereto, he said, "That is all the Army is going to do. You can take it or leave it." He then advised that we would have to sign a waiver as to the use of the carpets. The Army having taken possession, I had no alternative.

On May 29, 1942, my wife, Ida Pinack, was called to Colonel Fitch's office and Colonel Fitch advised that they were going to take out certain "temporary" partitions erected in the annex. These were not temporary, but had been permanently placed therein at a great cost. He said it was necessary that they be removed for sleeping quarters so the baths could be used, and to permit access to fire escapes and stairs, and almost by threats my wife was forced to sign a letter, a copy of which is hereto attached and made a part of this affidavit.

My wife did not advise me about signing this letter for several days as she was greatly humiliated and embarrassed in regard thereto by being called to the office of Colonel Fitch, and he, knowing that she was an officer of the corporation, secured her signature through intimidation.

Due to the newspaper publicity and other matters which arose surrounding the leasing of hotels at Miami Beach, she did not want to be unjustly accused and wanted to cooperate with the Army in every way possible, but the lease as it now stands does not set forth the true contracting agreement made by us at the time the option to lease was originally signed.

JOSEPH N. PINACK.

Sworn and subscribed to before me on this, the 7th day of June A. D. 1943.

[SEAL]

GLYNN O. RASCO, *Notary Public*.

MIAMI BEACH, FLA., May 29, 1942.

Re Fairmont Hotel (and annex), 1000 Collins Avenue, Miami Beach, Fla.

Maj. DAVID G. FITCH,

Corps of Engineers, Real Estate Branch,

Miami Beach, Fla.

DEAR MAJOR FITCH: It is understood that the Government contemplates removal of temporary partitions now erected in the building located at 1020 Collins Avenue, Miami Beach, Fla.

This removal will be done to increase accommodations and permit access to fire escapes and stairways.

The owners of the above-mentioned property hereby waive a claim for restoration of the above-mentioned partitions and will accept the vacating on the part of the Government when and if desired, without the restoration of said partitions.

Very truly yours,

IDA PINACK.

A true copy.

JOHN S. HOLLIMAN,

First Lieutenant, Corps of Engineers.

[Copy]

In consideration of the sum of one dollar (\$1.00) and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the undersigned, hereinafter called the "Lessor," who represents that he is the owner of the property hereinafter described, hereby, for himself (itself) and his (its) heirs, executors, administrators (successors) and assigns, offers and agrees to lease to the United States of America, in accordance with the terms and conditions set forth below, the land, with the buildings and improvements thereon and all rights and appurtenances thereto, described as follows:

See reverse side for description. (This copy, see below.)¹

The terms of this offer are as follows:

1. The rental for the described property shall be \$12,750.00 per annum for the period (see par. 6) 1942 to June 30, 1942, plus an additional sum in payment of the following articles, equipment, and contents of the said hotel, viz., sheets,

¹ All that property known as: Fairmont Hotel, 1000 Collins Avenue, Miami Beach, Florida (lots 6, 7, and 8, Block 30, Ocean Beach Number 2), including the hotel building on lot 8, and the Annex on Lot 6, and the east fifty feet of lot 7, but excluding the west 90 feet of lot 7, and the bungalow located thereon, and also excluding the storage rooms in the rear of the Annex on lot 6, block 30.

pillowcases, shower curtains, towels, bath mats, kitchen utensils, such articles named becoming the property of the Government. Such additional sum shall be determined by negotiation between the parties and inserted in the lease when drawn. The annual rental after June 30, 1942, shall be \$-----.

2. Lessor agrees to furnish, as part of the rental consideration, basic furniture now in the hotel such as beds, springs, mattresses, pillows, dressers, tables, chairs, blankets, excluding drapes, bedspreads, pictures, bricabrac, antiques, and lobby rugs.

3. Lessor will upon request immediately execute the War Department Standard Form No. 2 Lease, in compliance with War Department procedure, and in accordance with Army regulations, to include the provisions contained in this option for lease.

4. Lessor shall furnish to the Government at Lessor's expense a certificate of ownership substantially in accordance with the form attached hereto, such certificate to be signed by a reputable attorney or abstract company and shall be delivered to the Government at the time the lease is signed.

5. This option for lease shall expire at the end of 90 days from the date hereof.

6. Lease period to begin on date of occupancy by the Government.

This 27 day of May 1942.

THE PINACK CORPORATION,
By JOSEPH N. PINACK, *President*.
IDA PINACK, *Vice President*.

[Copy]

OPTION FOR LEASE

In consideration of the sum of one dollar (\$1.00) and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the undersigned, hereinafter called the "Lessor," who represents that he is the owner of the property hereinafter described, hereby, for himself (itself) and his (its) heirs, executors, administrators (successors), and assigns offers and agrees to lease to the United States of America, in accordance with the terms and conditions set forth below, the land, with the buildings and improvements thereon and all rights and appurtenances thereto, described as follows:

All that property known as Fairmont Hotel, 1000 Collins Avenue, Miami Beach, Florida (Legal description to be inserted in the lease), including the hotel building, the 18-room building, and the bungalow house thereon, being on a lot 140 x 150 feet, being 1012 and 1020 Collins Ave.

The terms of this offer are as follows:

1. The rental for the described property shall be \$14,500.00 per annum for the period (see par. 6) 1942 to June 30, 1942, plus an additional sum in payment of the following articles, equipment, and contents of the said hotel, viz., sheets, pillow cases, shower curtains, towels, bath mats, such articles named becoming the property of the Government. Such additional sum shall be determined by negotiation between the parties and inserted in the lease when drawn. The annual rental after June 30, 1942, shall be \$-----.

2. Lessor agrees to furnish, as part of the rental consideration, basic furniture now in the hotel such as beds, springs, mattresses, pillows, dressers, tables, chairs, blankets, but excluding drapes, bed spreads, pictures, bric-a-brac, antiques, and lobby rugs.

3. Lessor will upon request immediately execute the War Department Standard Form No. 2 Lease, in compliance with War Department procedure, and in accordance with Army Regulations, to include the provisions contained in this option for lease.

4. Lessor shall furnish to the Government at Lessor's expense, a certificate of ownership, substantially in accordance with the form attached hereto, such certificate to be signed by a reputable attorney or abstract company and shall be delivered to the Government at the time the lease is signed.

5. This option for lease shall expire at the end of 30 days from the date hereof.

6. Lease period to begin on date of occupancy by Government.

This 27th day of April 1942.

THE PINACK CORPORATION,
By JOSEPH N. PINACK,
President.
IDA PINACK.

EXHIBIT No. 1035

JULY 20, 1943.

Re Gotham Hotel.

Mr. GLYNN O. RASCO,
*Executive Manager, Miami Beach Hotel Owners Association,
 Miami Beach, Fla.*

DEAR MR. RASCO: Although I have made a settlement for my hotel, I am not satisfied with the terms of this settlement. Not enough was allowed for carpets, labor, painting, etc. It will cost me \$4,000 more to repair the hotel than I was allowed in my settlement.

I strongly urge the appointment of an impartial committee to adjust my claims equitably.

Very truly yours,

SOL. S. GOLDSTROM.

EXHIBIT No. 1036

THE GREENBRIER,
Miami Beach, Fla., July 17, 1943.

Mr. GLYNN O. RASCO,
*Executive Manager, Miami Beach Hotel Owners Association,
 Miami Beach, Fla.*

DEAR MR. RASCO: May I take this opportunity to say that I am in favor of the appointment of an impartial committee to adjust my claims equitably, in connection with my lease with the Government, when and if I have any claims to make.

Very truly yours,

GOLDROTH CORPORATION,
 MELVIN GOLDSTROM, *President.*

EXHIBIT No. 1037

AFFIDAVIT

STATE OF FLORIDA,
County of Dade, ss:

Before the undersigned, a notary public in and for the State of Florida at large, personally appeared Joseph Edell, who being duly sworn, say as follows:

My name is Joseph Edell, and I am President of Edell's, Inc., a Florida corporation, which is the owner of the Grossinger Hotel property located at 1701 Collins Avenue, Miami Beach; I was the president of such corporation during the month of April 1942, at which time the Army was engaged in acquiring leases on the first large group of hotels which it took at Miami Beach; and I make this affidavit with the expectation that it may be presented to the Truman Investigating Committee, which is now engaged, as I understand it, in investigating the circumstances surrounding the acquisition of hotels by the Army; and, therefore, I desire to detail herewith certain aspects of the acquisition of the Grossinger Hotel.

At the time when I was approached with the request that I come to the Cromwell Hotel at Miami Beach, where both the civilian committee and the Army committee were maintaining offices, I was greatly disturbed by reason of the fact that the Miami newspapers and radio commentators had just been stating that hotel owners at Miami Beach had "welched" on their promises to give hotels to the Army and that as a result of it the Army project would be lost to Miami Beach and that Miami Beach and the hotel owners would then be designated as persons who had obstructed the war effort and who were not worthy of being called citizens and were not worthy of the protection of the Government.

I don't mean that these are the exact words which were used but they are a relatively mild statement of the substance of what was being said; at the time Grossinger Hotel was filled to the roof; I don't have my daily transcript before me at the time I make this affidavit but I will venture to say that the room revenue as of that time was certainly in excess of \$1,500 a day; but notwithstanding that fact, I was so upset by the newspaper publicity and by the statements which were attributed to Army officers at this time threatening to close off Miami Beach as a military reservation, that I immediately went to the Army headquarters at the Cromwell Building and told the persons who interviewed me that I did not want to be in the category of someone who would

obstruct the war effort and therefore was prepared to take whatever was fair as rent; thereupon members of the civilian committee told me that I would be given \$49,750 per year for the hotel; I pointed out to them that although the Grossinger was then very conservatively financed (that is to say, its total fixed encumbrances were not as much as 50 percent of its cost) still the fixed charges by way of interest, taxes, amortization, and insurance, were \$66,000 a year; that not only was \$49,750 entirely unfair but out of line with what ordinary rental values were and not only would it mean that my associates and I wouldn't have 1 cent for the \$360,000 or more that we already had invested in the property, but in addition to that we actually wouldn't have the money necessary to pay our fixed charges; they thereupon told me that they knew I was entitled to more money but that their hands were tied and the local Army officers' hands were tied because anything in excess of \$50,000 had to go to Washington and that meant that if I insisted upon getting more this matter would have to go to Washington and I would thereupon be branded as a person who had held up the needs of the Army because the Army officers said they needed the Grossinger immediately and that their immediate need was accentuated by the fact that the Grossinger had two full kitchens and a large dining room and the need for mess facilities for the troops then coming in was very acute; and they said further that if I was so foolish as to insist upon their taking the matter to Washington I would be held up for an indefinite period of time while the street would be shut off and I couldn't hope to do business.

I can't give an adequate picture of the terrific pressure I was under; but, for that matter, so were all of the hotel owners; and rather than be put in the position of having to go over the heads of the local people by appealing to Washington, and rather than being branded, as they told me, as an obstructionist, I told my associates in the ownership of Eddell's, Inc., that we would simply have to take what they offered and thereupon I signed an option for the making of the lease permitting the Army to go into possession.

In no sense of the word did I have an opportunity to negotiate freely and fairly.

No one at Army headquarters with whom I talked even contended that I was getting a fair price for the Grossinger.

I now desire to make certain statements with reference to a portion of the testimony recently developed in public hearings held at Miami Beach a few days ago. In the course of those hearings, Col. John J. O'Brien, testifying on behalf of the Army, stated that the fixing of rental values had been uniform and had been based on 11½ percent of the appraised and fair market value of the property involved; and he pointed out that the value varied in certain cases because in some instances some of the personal property was taken out of the hotel.

From my knowledge of the facts payments were not uniform nor did the Army offer 11½ percent of the fair appraised market value, but rather the Army offered as little as it could and ultimately, with the aid of the pressure I have above described, made deals that were well below rental market value or 11½ percent of the then fair market value; and I call attention to the fact that the removal of certain personal property from the premises was done not at the request of the owners but at the demand of the Army, and such removal immediately cost the owners expensive storage and increased perhaps threefold the insurance premiums, the difference being, for example, the difference between the insurance rate in a triple-A fireproof building on the one part and the semi-fireproof store buildings which were the only available places for storage in the Miami area since the enormous demands for storage space, brought about by the Army's coming very rapidly, took up and exceeded all former warehouse storage space. By that as it may, however, in the case of the Grossinger, no personal property was removed, the Army utilizing all of it.

The Grossinger did not receive 11½ percent of the fair appraised value or of the fair market value of the property. On that question I call attention to the fact that I caused the Grossinger Hotel property to be appraised by Oscar E. Dooly, Jr., during the month of May 1943; the appraisal was made in connection with an application to Florida National Bank & Trust Co. at Miami for a mortgage and Mr. Dooly was selected by the bank as its appraiser; and I am advised that, Mr. Dooly is recognized as a competent and outstanding appraiser and has done virtually all of the appraisal work for the Navy in connection with its acquisition of the properties in Miami; and I have before me Mr. Dooly's appraisal report which I will be glad to make available to any parties in interest; and his appraisal report finds that the fair market value of the property as of June 8,

1943, is \$625,000, and he finds that the Army is paying 7.96 percent of the appraised value of the property; and he finds that the economic value of the property is \$636,778.56; and he states (and this appraisal was not procured with a view of its being used in connection with any Army hearings) as follows: "As to the figure of annual rental for lease to Army, same does not compare favorably with those rentals obtained by other lessors of not equally desirable buildings;" and he finds that the replacement value of the buildings, land, furnishings, and fixtures is \$646,912.60; I have asked Mr. Dooly whether his appraisal would have been different had it been made during the month of April 1942 instead of during the month of May 1943, and he has stated has to me that in his opinion his appraisal would not have varied materially and if it had the 1943 appraisal would have shown a slightly lower figure than the 1942 appraisal; and I attach hereto Mr. Dooly's statement in that regard.

JOSEPH EDELL.

Sworn to and subscribed before me and in my presence this 11th day of January 1944.

[SEAL]

M. B. DRUMMOND,
Notary Public, State of Florida at Large.

My commission expires April 10, 1945.

AFFIDAVIT

STATE OF FLORIDA,
County of Dade, ss.:

Before the undersigned, a notary public in and for the State of Florida at large, personally appeared Oscar E. Dooly, Jr., who being duly sworn says as follows:

I am engaged in the real estate and appraisal business in Miami, and have been so engaged since 1930; I am a member of the National Association of Real Estate Brokers and for the past 2 years I have been a member of the national committee on the rates, rules, and customs; and I am also a member of the Miami Board of Realtors and the Miami Beach Board of Realtors and have been a licensed broker since 1930, and I am a qualified appraiser for the United States Army and Navy on properties they have acquired through condemnation.

I was employed by Henry D. Williams as attorney for Edell's, Inc., the owner of the Grossinger Hotel located at 1701 Collins Avenue, Miami Beach, to prepare an appraisal report as of June 1, 1943, and I did prepare such report; my employment came about by reason of the fact that, as I understood it, Edell's, Inc., was applying to Florida National Bank & Trust Co. at Miami for a loan to be secured by a mortgage upon the Grossinger Hotel property, and I have appraised property for the bank for lending purposes for many years, and the bank designated me as the appraiser upon the strength of whose appraisal report they would determine whether they would make the loan, and if so in what amounts and upon what basis.

I made such appraisal report and found the economic value of the buildings, furnishings, fixtures, and land to be \$636,778.56; and their replacement value to be \$646,912.60; and the fair market value of the property to be \$625,000.

I have been asked whether my appraisal figures would have been different had the appraisal been made during the month of April 1942, just before possession of the premises was delivered to the Army and I have stated, and now state, that my figures would not have been appreciably different and had they been different at all I believe that the figures during 1942 would have been slightly higher than in 1943 because just before the Army took possession of this and similarly located properties, all hotels of this character, relatively similarly situated, were enjoying excellent business and had just concluded a satisfactory though late season, making amazing recovery after an interlude of slow beginning due to the national shock which immediately succeeded Pearl Harbor.

I have no interest whatsoever in the matter at the present time; nor was my appraisal sought or my appraisal report rendered for any use whatsoever or with any purpose in view other than that of being submitted to Florida National Bank & Trust Co. at Miami for the purpose above set forth; nor am I being compensated for this affidavit.

OSCAR E. DOOLY, JR.

Sworn to and subscribed before me and in my presence this 12th day of January 1944.

[SEAL]

PRISCILLA GRISWOLD,
Notary Public, State of Florida, at Large.

My commission expires March 1, 1944.

THE GROSSINGER BEACH HOTEL,
Miami Beach, Fla., July 15, 1943.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: With reference to the Grossinger Hotel, located at the ocean and Seventeenth Street, Miami Beach, of which I am the owner, may I say that this is confirmation that I desire to have a readjustment of rental on this hotel? The amount now being paid is not adequate.

I urgently request that an impartial committee be appointed to adjust my claims equitably.

Very truly yours,

JOSEPH EDELL, *President.*

STATE OF FLORIDA,
County of Dade:

On this day personally appeared before me, a notary public, J. Edell, who, after first being duly sworn, deposes and says:

My name is J. Edell, and I am part owner of the Grossinger Hotel, which consists of 137 rooms, and is located in Miami Beach, Fla.

In February 1942 I attended a meeting at which Lieutenant Tally made some remarks. His remarks were that the Army wished to come into Miami Beach, and the space needed for each man would be 600 cubic feet.

On March 23 I became very upset because of the newspaper publicity and racial prejudice, particularly when I knew that every hotel owner was ready and willing to cooperate with the Government. This newspaper publicity made me ill and I could not sleep for fear of further developments and consequences. I personally heard the broadcast of Mr. Frank Malone in which he stated that there were a number of hotel owners that would not cooperate; that these hotels were located between Fifteenth Street and Twentieth Street, and, going into more detail, made the statement that the names of these offenders should be announced "so that their buildings could be taken down stone by stone."

At the end of March 1942 I filled out a questionnaire for Messrs. Baron de Hirsch Meyer and Marcy Liberman, setting forth my expenses, and I told Mr. Meyer I would be willing to take whatever the Government thought fair, and I wrote a letter to that effect, a copy of which is hereto attached and made a part of this statement.

Mr. Meyer then offered me \$49,750 as rental for my hotel, which I could not accept because it was not sufficient to meet the obligations. I was told that the Government would not pay more and I would have to go to Washington to straighten myself out.

At a later date I went back to see Mr. Meyer and informed him that the offer was not sufficient to meet my expenses. However, in view of the newspaper and radio publicity, I was very nervous and talked the matter over with my partner, and we agreed that in view of the conditions created by the newspapers that it was no time to consider money matters, but to take whatever offer the Government made to prove the public accusations were without foundation.

I then signed an option for \$49,750 and the Army took possession on April 15, 1942, almost immediately after signing. I leased the hotel with the understanding from what Lieutenant Tally and others said that there would not be more than two or three men in a room. However, the Government has placed and housed four or five men in a room since they took possession.

In March 1943 I was asked to remove certain furniture, but I refused to do so as it was ruined. A few days thereafter Mr. Saks showed me a letter or a copy of a letter from Washington in which it was stated that orders must be carried out and the furniture must be removed, or otherwise it would be placed in storage by the Government at the owner's expense and risk.

I still refused to comply and nothing further has developed. The Army has removed certain kitchen equipment with my consent. This equipment was to be stored. However, it is now standing on the property in the open air unprotected and deteriorating.

The furniture and carpets in my hotel are completely ruined and have been devalued approximately 60 percent. The furniture is broken, defaced, and generally torn up. The building has been grossly neglected, with all the operators

to the windows out and many other things need repairing very badly. There has been no maintenance, and, in my opinion, it will take \$40,000 to \$45,000, if not more, to place the building in good repair.

JOSEPH EDELL, *President.*

Sworn and subscribed to before me on this the 5th day of June A. D. 1943.

[SEAL]

GLYNN O. RASCO,

Notary Public, State of Florida at large.

My commission expires July 16, 1946. Bonded by American Surety Co. of New York.

[Copy]

THE GROSSINGER BEACH HOTEL,
Miami Beach, Fla.

AMOUNT OF RENTAL DESIRED

We would like you to clearly understand that we are willing to do anything to meet the requirements of the Army. What we would like to have is enough to keep us from becoming in default of fixed charges. We are not asking for anything in return on our actual investment of \$360,000.

JOSEPH EDELL.

A true copy.

L. B. SOUTHERLAND,

Notary Public, State of Florida at large.

My commission expires February 17, 1947. Bonded by Massachusetts Bonding & Insurance Co.

EXHIBIT No. 1038

THE HABANA HOTEL,
Miami Beach, Fla., July 15, 1943.

MR. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners' Association,
Miami Beach, Fla.

DEAR MR. RASCO: Referring to the Habana Hotel, of which I am the owner, May I say that I desire to have a readjustment of the rental for this hotel. The amount I am receiving is not adequate.

The Government is paying me \$13,000 and I refused a private rental of \$25,000 the previous year (5-year term).

I urge the appointment of an impartial committee to adjust my claims equitably.

Very truly yours,

HARRY KOHN.

Re Habana Hotel, Miami Beach.

MR. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners' Association,
Miami Beach, Fla.

DEAR MR. RASCO: I am the owner of the Habana Hotel, which consists of 125 rooms. A fair rental value of this property would be \$25,000 for a year, while the Army has only paid \$13,000, on a take-it-or-leave-it basis.

The Army has occupied the building from April 17, 1942, to July 31, 1943, and are returning it to me today.

The estimated cost by my contractors of restoring the property was \$21,000. However, the engineers would not pay more by \$14,957.52 on a cash settlement. They refused to pay me anything for inequities in the rent. However, they did allow me 1 month's rental for restoration, which is included in the settlement price.

According to my figures there has been a net loss to me during the time of Army occupancy of approximately \$27,000.

Very truly yours,

HARRY KOHN.

THE HABANA HOTEL,
Miami Beach, Fla., January 4, 1944.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners' Association,
Miami Beach, Fla.

MY DEAR MR. RASCO: It has come to my attention that the Truman committee has consented to air some of the grievances of the hotel leases and the settlements made for the rehabilitation of the properties.

Therefore I am taking the liberty in submitting some pertinent facts concerning my property, the Habana Hotel, occupied as Army barracks for a period from April 17, 1942, until July 31, 1943.

The Habana Hotel consists of 125 hotel bed rooms located in the heart of the business district, with a normal capacity for accommodating 220 people.

The fair rental for similar property for hotel business would be \$30,000 a year, this amount representing the rent cost of \$20 per room per month for two people in a room. Yet the renting powers representing the Government have approved a rental of only \$13,000 per year on a take-it-or-leave-it basis, or we will close you up and you will get nothing.

While inspecting my property, I found that the Government housed over 500 men at times, subjecting the building and its equipment to over twice its load capacity, thereby inflicting tremendous wear and tear for the length of its occupancy.

In settlement for damages and rehabilitation I have produced an estimated cost sheet of \$25,562.38, this estimate being much less than the actual cost of rehabilitation. In view of scarcity of material and labor, most items had to be substituted with inferior grade goods, which will also require earlier replacements. I was granted only \$14,959, which sum included only 1 month's rental allowance for rehabilitation, whereas it actually took 3 months.

The summarization of my claim is as follows:

1. Payment of rent differential for 18 months and 13 days, at \$1,416.67 per month-----	\$26,111.06
2. Difference in compensation and cost for rehabilitation-----	10,603.38
Total claim-----	36,714.44

The above sum represents a total difference between all moneys received from Government payments and my claim for a fair rental and just compensation.

I shall be very thankful to you for bringing this claim to the attention of the proper authorities for their kind consideration. I am ready at any time for their call to further substantiate my claim.

Very respectfully,

HARRY KOHN, Owner.

EXHIBIT No. 1039

JULY 16, 1943.

Re Haddon Hall.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR Mr. RASCO: Referring to the above-named hotel, of which I am the owner, may I say that this is confirmation that I desire to have a readjustment of rental for this hotel. The amount now being paid is inadequate.

May I very strongly urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

SAMUEL KULOK.

EXHIBIT No. 1040

JULY 20, 1943.

Re Halcyon Hotel.

Mr. GLYNN O. RASCO,

*Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.*

DEAR Mr. RASCO: In my negotiations for settlement on the Halcyon Hotel, I believe I have found the methods that are being used in the office of Mr. Tarilton, particularly in offering the amount of negotiation.

I very carefully itemized the claims by room when going through with Government representatives.

For the owners I claim an amount of approximately \$4,450 based upon the lowest approximate costs for refurbishing and construction work. Mr. Tarleton told me that the amount which they had estimated was approximately one-half of the total. Breaking down this amount with him I found that on building costs we met almost to the dollar, but they had made a reduction in their estimate of approximately 33 $\frac{1}{3}$ percent or \$700, for normal wear and tear.

This I argued against on the basis that the rooms were used 24 hours each day as a barracks with occupancy of approximately six men to the room and that in view of this the owners were entitled to full payment of costs of construction work.

This left the item of refurnishing and polishing of furniture, recovering of mattresses and springs, etc., or an item in the amount of approximately \$2,400 as per estimate secured by me under the handicap of knowing that men were not available to do this work at any like normal costs. I tried to break this amount down to individual items and failed to do so but finally prevailed upon Mr. Tarleton to make an appointment for me with Mr. Sachs.

The owners and I went to Mr. Sachs and he suggested four names of furniture people whom he felt certain would give us the right prices and were in a position to do work. I phoned all of these people and was definitely told that they were not in a position to do the work because of the scarcity of men and the abnormal charges that they would have to make for the work if they were in a position to do it. One of these men whom I had previously known did check some of my items with me and I revised my estimate accordingly. The results of my revision is in the amount of approximately \$200 less than my original set-up.

Further in my visit with Mr. Sachs I prevailed upon him to give me an idea of the unit amounts he had used in setting up his estimate to the end that in the matter of recovering of mattresses and springs I raised the individual items by \$2.40 each, which I believe would partly offset the small difference between the lower amounts that he used and my final estimate.

Therefore in view of Mr. Tarilton's insistence of the difference of approximately 50 percent in their estimates I am firmly convinced that the estimates of the engineers or Army representatives who make the survey are being arbitrarily reduced based upon no other thought than that the owner must accede to their proposition or else; and that when they do supposedly negotiate they in no case use their actual figures or base their negotiations on fact.

Very truly yours,

P. J. DAVIS.

STATE OF FLORIDA,

County of Dade:

On this day personally appeared before me, a notary public, P. J. Davis, who after first being duly sworn deposes and says:

Subsequent to my letter of July 20, 1943, addressed to Mr. Rasco, I returned to the office of Mr. Tarilton with Messrs. Gross and Emerson, the owners of the Halcyon Hotel, keeping on appointment with Mr. Tarilton for 2 p. m., July 21.

Mr. Tarilton was busy, and while we were waiting in the reception room Mr. Frazure came out and suggested that he would continue negotiations because Mr. Tarilton was busy.

First, talking in generalities at Mr. Frazure's desk, I felt we would enter into these negotiations on a gentlemanly and businesslike basis, but after about 15

minutes Mr. Tarilton came in to Mr. Frazure and presented him with a file and in a secretive way seemed to point out certain items to him which seemed to aggravate Mr. Frazure and immediately upon Mr. Tarilton's leaving the room Mr. Frazure stated in an angered sort of way, "Well, here's another one we start doing tomorrow morning; we have closed 38 deals on properties; 35 were with Christians with whom we had no trouble whatsoever, who were highly pleased, but is impossible for us to close any satisfactory deals or deal with the Jews on South Beach."

Thereupon I immediately opened my file and told Mr. Frazure I thought we ought to just talk the matter of the Halcyon Hotel as Mr. Frazure and Mr. Davis and we began to discuss the differences particularly regarding the furniture.

On the date previous to this meeting and as per arrangements with Mr. Tarilton, Mr. Gross, Mr. Emerson, and I had quite a lengthy visit with Mr. Sachs and obtained from him the costs at which he stated he was estimating the refinishing of the different items of furniture. These prices I noted on my estimate sheets in his and the owners' presence. In my talk with Mr. Frazure I mentioned this to him (Mr. Frazure) and he in our presence called Mr. Sachs on the phone and said that we could not reconcile our furniture totals at this visit with Mr. Sachs' statements and he arranged for us to again visit Mr. Sachs.

We immediately went to Mr. Sachs' office and he in an opening statement to us said that he had not given us the figures that I had put down in his presence the previous afternoon and also stated very emphatically that he wanted us to take on the refinishing of certain furniture and the recovering of mattresses and springs and he (the Army) would undertake to refinish the balance of the furniture.

As we came in to this visit with Mr. Sachs he stated he had just completed a conversation with Mr. Auerbach of the Parry Enterprises and that Mr. Auerbach proposed to furnish all of the men necessary to do the refinishing of any work for the Army and would do the same for the owners at a charge of \$1.50 per hour plus 12½ percent and furnish the materials also on a basis of cost plus 12½ percent; further that Mr. Sachs had discussed the items of furniture in question at the Halcyon Hotel and that there was no question but that chests which he had previously stated to us were being estimated at \$7.50 each would be done at \$3 each which amount Mr. Frazure had told us was used in Mr. Sachs' estimate.

Mr. Sachs suggested that I get in touch with Mr. Auerbach and I did so. I made an appointment for this morning at 9 a. m. At the appointed time I met Mr. Auerbach and his foreman at Parry Enterprises, at the Halcyon Hotel, and was admitted to the building in question with Mr. Van Tassel representing the Army.

Mr. Auerbach stated to me and said he would so state by affidavit that Mr. Sachs, who had had Mr. Auerbach visit the Halcyon Hotel with him yesterday, proved definitely that they had no idea whatever as to the proper procedure or costs entailed in the refinishing of this furniture and further Mr. Sachs started off by telling Mr. Auerbach that materials cost nothing or such an insignificant amount that the cost was really not to be considered and suggested methods of refinishing that were absolutely impossible to be applied; further that it was not necessary to try and properly refinish the furniture, and further statements to such end that Mr. Auerbach told him he could not in any way consider pricing the items other than in general doing the work on the basis which he had first set forth.

In my visit today with Mr. Auerbach he did quote on such prices as he thought would be a fair but not guaranteed cost for the reconditioning of the furniture.

I have definitely concluded from all of the foregoing that Mr. Sachs is in this case definitely trying to force the owners into the position of taking an amount which is considerably below the cost of restoration, or to get them (the owners) to agree to let him take care of the definitely questionable items which he would undoubtedly do at a cost which could not be checked by the owners or anyone, or to leave the furniture in a very unsatisfactory and unfinished condition.

P. J. DAVIS.

Sworn and subscribed to before me on this the 23rd day of July A. D. 1943.

[SEAL]

GLYNN O. RASCO, Notary Public.

EXHIBIT No. 1041

THE HELENE APARTMENTS,
Miami Beach, Fla., January 6, 1944.

Lease No. W2287 Eng. 1739—Helene Apartments.

Mr. RUDOLPH HALLEY.

MY DEAR SIR: The Helene Apartments is a 3-story apartment building (35-bedroom apartments) or 78 rooms. The Army took it over on July 17, 1942. We bought the building in 1940 for \$110,000.

The option we first signed was for \$9,000. Later, I went back and told the Realty Project Army Division it simply was not enough and because we had a parking lot 70 by 127 feet where Army trucks could be parked, they raised it to \$9,500. We were forced to accept this because the Helene Hotel, which is connected to it, was already occupied by the Army and the noise was terrific. Not like other hotels where the boys retire at 10 p. m., but it was the Transportation Division where trucks were on call night and day, as the trains with the boys on troop trains came in any time in the night. The starting of trucks, shouting back and forth, etc., was so noisy, we had to move guests to the other side of the building. We were surrounded by trucks, no choice but to let the Army have the building.

Our expenses (taxes, insurance, interest, payments, etc.) were between eight and nine thousand dollars, and besides, we had a second mortgage which became due and we had to sell our home at a loss to pay this mortgage off.

We were told when we signed the option we could use our cement basement for storage. Then informed we couldn't, as it would be a fire hazard. So we must hire storage—more expense. Rugs (for instance, one item) storehouse wanted "50 cents per rug per month." We had about 78 or more rugs. Then we were ordered to take out the stoves and refrigerators, which we were forced to sell because we couldn't afford storage on them. Then there is the plumbing situation with four or five times as many people to each bathroom and the boys doing their laundry in the bathtubs, the wear and tear is far greater than the civilian use of them.

We honestly believe on a building of this size, costing us \$110,000, we should have a return on the lease of \$12,000.

We feel we are entitled to some consideration.

Thanking you for your time and courtesy.

Sincerely yours,

ESTHER M. BARLOW.

EXHIBIT No. 1042

INDIAN QUEEN HOTEL,
Miami Beach, Fla., July 15, 1943.

Mr. GLYNN O. RASCO,

Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR SIR: With reference to the Indian Queen Hotel, of which I am the owner, may I say that this is to confirm that I desire to have a readjustment of rental on this hotel? The amount being paid to me is inadequate.

I urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

N. RICHARD CASTOR,
By NORMAN S. CASTOR.

MIAMI BEACH, FLA., January 19, 1944.

Subject: Indian Queen Hotel. Miami Beach, Fla. Contract No. W 2287 eng. 2995.

TRUMAN COMMITTEE,
Washington, D. C.

(Attention of Hon. Harley M. Kilgore, Hon. Homer M. Ferguson.)

GENTLEMEN: During the recent investigation of Army hotel leases conducted by your committee at Miami Beach, the writer was not afforded an opportunity to present the claims of the above hotel at your hearings.

In normal times the hotel is open only from December 1 to May 1 each year, and it was our intention to open December 1, 1942, as usual. Letters to this effect had been mailed to our former guests. The hotel had been painted, repairs made, thoroughly cleaned, and put in readiness for the opening.

On November 20, 1942, the Army notified me they wanted the hotel. The option called for \$15,000 annual rental, which was not enough, but Mr. John C. Frazure, civilian negotiator for the Army, made the statement that once the rental price was set it was never changed. I knew from the experience of other hotels that I had no choice but to sign. They would not give me a definite date when the property had to be vacated.

On November 21 the Army phoned me that they must have the hotel that day. That night 243 boys were housed in the hotel, which has 50 double rooms and 2 single rooms.

Thus the income from the winter season immediately ahead was lost. Instead of realizing a net profit of \$12,000 to \$14,000 per year (after depreciation), there is practically no profit. I have no income whatsoever, except from the hotel, and since the Army has taken possession, that income has been taken from depreciation reserves. Naturally, it has not been possible to meet the annual \$5,000 mortgage payment plus the interest.

It is not my purpose to realize large war profits at the taxpayers' expense. However, in view of the large number of boys housed at the hotel, the small rental paid in return, and being deprived of a season's income, I feel the Government should adjust the rental payment to a fair and adequate return, making it retroactive to the time the Army took possession.

Very truly yours,

NORMAN S. CASTOR.

Profit and loss statement from Oct. 1, 1940, to Sept. 30, 1941, Indian Queen Hotel, Miami Beach, Fla.

Sales:

Rooms	\$36,062.00
Dining room	7,347.61
Newsstand	323.70
Telephone	1,033.85
Guest laundry and valet	761.01
Solarium	680.25
Interest on telephone deposit	59.00
Total sales	<u>46,267.42</u>

Direct expenses:

Room expenses:

General	\$2,870.91
Pay roll	2,573.82
Laundry	590.52
Stationery and printing	38.10
Water	156.69
Gas and oil	189.91
Electricity	577.68
Automobile	487.27
Repairs	373.19
Advertising	1,297.46
	<u>9,155.55</u>

Cafe expenses:

Guest account	6,307.90
General	84.64
Inventory loss	182.76
	<u>6,575.30</u>
Newsstand	211.13
Telephone	1,280.28
Guest laundry and valet	686.86
Solarium	523.93
	<u>2,702.20</u>

Total direct expenses 18,433.05

Gross operating income 27,834.37

9176 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

*Profit and loss statement from Oct. 1, 1940, to Sept. 30, 1941, Indian Queen Hotel,
Miami Beach, Fla.—Continued*

Deductions from income:	
Liability and compensation insurance-----	\$103. 05
Social-security taxes-----	25. 64
Licenses-----	85. 75
Total deductions-----	214. 44
Gross operating profit-----	27, 619. 93
Capital expenses:	
Real estate and property taxes-----	1, 993. 44
Insurance on building and contents-----	566. 63
Interest-----	4, 835. 94
Total capital expenses-----	7, 396. 01
Net profit before depreciation-----	20, 223. 92
Depreciation:	
Building-----	3, 100. 00
Furnishings and equipment-----	3, 472. 98
Total depreciation-----	6, 572. 98
Net profit-----	13, 650. 94

I hereby swear that this is a true and correct statement of the profits of the Indian Queen Hotel, Miami Beach, Fla., for the year ending September 30, 1941.

N. RICHARD CASTOR.

STATE OF MICHIGAN,
County of Wayne:

Be it known, that on the 20th day of December 1943, before me, a notary public in and for the State of Michigan, personally came and appeared N. Richard Castor, and acknowledged before me that this is a true statement.

In testimony whereof, I have hereunto subscribed my name and fixed my seal of office.

[SEAL]

WILLIAM J. CLARK,
Notary Public, State of Michigan.

My commission expires May 11, 1945.

*Profit-and-loss statement for 1 year during occupancy by U. S. Government, Indian
Queen Hotel, Miami Beach, Fla.*

Yearly rental from U. S. Government-----	\$15, 000. 00
Fixed charges:	
Average cost of painting exterior of hotel-----	250. 00
Lawn expense-----	50. 00
Advertising-----	250. 00
Furniture storage-----	144. 00
Demolishing charges-----	15. 00
Hotel Owners Association-----	225. 00
Total fixed charges-----	934. 00
Capital expenses:	
Real-estate taxes-----	2, 095. 74
Interest-----	4, 200. 00
Average yearly insurance-----	302. 26
Total capital expenses-----	6, 598. 00
	7, 532. 00
Net profit before depreciation-----	7, 468. 00

Profit-and-loss statement for 1 year during occupancy by U. S. Government, Indian Queen Hotel, Miami Beach, Fla.—Continued

Depreciation:	
Building	\$3, 100 .00
Furniture and equipment	3, 625. 00
Total depreciation	6, 725. 00
Net profit after depreciation	743. 00
Expenses due to moving:	
Moving and hauling from hotel	181. 48
Estimated hauling charges to hotel	181. 52
Removing and demoting carpet	330. 35
Relaying carpet (estimated) 2,100 yards at 18 cents	378. 00
Telephone switchboard removed	53. 52
Replacing switchboard (estimated)	53. 38
Additional insurance on furniture	329. 95
Total cost of moving	1, 508. 20
Total cost of hotel (including furniture)	136, 857. 00
Assessed value of property for State and county taxes	103, 980. 00
Net profit from Oct. 1, 1940, to Sept. 30, 1941	13, 650. 94
Net profit during occupancy by U. S. Government (excluding expenses due to moving)	743. 00

NOTE.—Two years revenue has already been lost (winter seasons of 1942–43 and 1943–44), while income from U. S. Government has been only from November 21, 1942. Depreciation is greater since occupancy by Army, but not in figure.

Estimated rental if leased to individual: 52 rooms, at \$400, \$20,800.

EXHIBIT No. 1043

MIAMI BEACH, FLA., July 15, 1943.

Re Le Roy Hotel and Villas.

Mr. GLYNN O RASCO,

*Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.*

DEAR MR. RASCO: With reference to the Le Roy Hotel and Villas, Miami Beach, Fla., which we own, may we say that this is to confirm that we desire to have a readjustment of rental on our hotel and villas. The amount being paid to us is inadequate.

We urge that an impartial committee be appointed to adjust our claim equitably.

Very truly yours,

CASABLANCA HOTEL & VILLAS, INC.,
By RHODA M. LEVINE, Agent.

EXHIBIT No. 1044

JULY 15, 1943.

Re Liberty Arms,
Miami Beach, Fla.

Mr. GLYNN O. RASCO,

*Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.*

DEAR SIR: With reference to the Liberty Arms, of which I am the owner, may I say that this is confirmation that I desire to have a readjustment of rental on this hotel. The amount now being paid is not adequate.

May I very strongly urge that an impartial committee be appointed to adjust my claim equitably?

Very truly yours.

CROWN REALTY CORPORATION,
By JULIUS KUPFER, President.

EXHIBIT No. 1045

LINCOLN CENTER CORPORATION,
Miami Beach, Fla., July 15, 1943.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: With reference to the Lincoln Center Hotel, of which I am the owner, may I say that this is to confirm that I desire to have a readjustment of rental on this hotel. The amount being paid to me is not adequate.

I urge that an impartial committee be appointed to adjust my claim equitably.
Very truly yours,

HARRY SIRKIN.

EXHIBIT No. 1046

HOTEL MACARTHUR,
Miami Beach, Fla., July 16, 1943.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: I am very much in favor of having an impartial committee appointed as in my own case with the Hotel MacArthur I know and feel that my rental was far below what would be an equitable amount.

I sincerely trust that in justice to all this committee will be appointed.
Very truly yours,

M. A. STURM.

(Handwritten:) Rent \$15,000.

JULY 28, 1943.

Re MacArthur Hotel, Miami Beach, Fla.

Mr. RUDOLPH HALLEY,
Truman Committee, Washington, D. C.

DEAR MR. HALLEY: Due to the fact that I was not able to see you while you were here conducting an investigation, I feel that it is my duty to advise you of the over-all picture of the leasing of the MacArthur Hotel, which I own, by the Army.

The hotel consists of 100 rooms and 21 stores. At the time the Army wished to take this property over Mr. Frazure, of the Procurement Office, made an offer of \$15,000 for the hotel and 9 of my stores.

This I refused to accept and asked that an appraisal be made. An appraisal was made by someone of the project office and he advised Mr. Frazure and Colonel Fitch that I should receive at least \$20,000 for the hotel alone, per year, not including the nine stores that they wished to lease.

I personally had an appraisal made by Mr. E. D. Keefer, and he advised that a fair rental would be \$25,000 for the hotel, not including the stores.

Mr. Frazure and Colonel Fitch both disregarded these appraisals and demanded I accept \$15,000 for the hotel and the nine stores on a take-it or leave-it basis. Through unfavorable publicity pertaining to the Army occupancy at Miami Beach I was forced to accept this figure.

At a subsequent interview with Colonel Fitch he informed me I was lucky not to get an appraisal because the Army would have been compelled to offer me \$3,000 to \$4,000 less than the appraiser's figures.

The Army occupied the premises on October 25, 1942. However, they did not begin to pay rental until November 1, 1942. It was my understanding that the property was leased for the duration and 6 months thereafter, which was another reason why I accepted such a low rental.

Approximately 3 months after the Army had taken possession they gave me a count of linens, which came to about one-third of the actual amount of linens I had on the premises at the time of occupancy. These linens were originally purchased at a cost of about \$2,500 and I valued them at \$1,600. The Army, however, paid only \$290 for them, stating that was all I could get even though they had them in their possession.

I removed the carpets from the premises and stored them. These will have to be returned and replaced. The total cost for this (removing, storage, and replacing) will be \$1,000.

The Engineers office has notified me that my building is to be returned as of July 31, 1943.

There has been a great deal of damage done thereto and my contractors and appraisers estimate the cost of repairing on a conservative basis to be \$12,600, not including the refinishing of certain floors that were in excellent shape at the time of occupancy.

The real-estate projects office here has made an offer on a cash-settlement basis of \$5,940.96 and this offer has been on a take-it or leave-it basis. Including the cost I have been put to and will be put to in restoring the property to its original condition, it will be approximately a loss of actual cash of \$7,000. In addition to this loss, I have not been compensated for a fair return upon my property on the inadequate and inequitable rental they have paid.

Should you be back in Florida for another investigation of this matter, I would appreciate very much making my statement to you under oath.

Very truly yours,

MASTURM REALTY CORPORATION,
MAURICE A. STURM, *President*.

STATE OF FLORIDA,
County of Dade, ss:

On this day personally appeared before me, a notary public, Dr. M. A. Sturm, who, first being duly sworn, deposes and says:

I am the owner of the MacArthur Hotel, which is located at 711 Fifth Street, Miami Beach, Fla. This hotel contains 96 rooms and 96 baths, and occupies an entire block.

About the middle of October 1942 I had a phone call from the office of the post engineer, asking if I would come to that office to see Mr. Frazure. I went there and was relegated to one of the volunteers (whose name I do not now recall) from the real-estate office, who requested me to bring down my tax receipts for 1941 and 1942, and all such information as I had pertaining to the expenses, such as insurance and mortgage, size of rooms, etc.

I returned that same day with the tax receipts, both State and county and city, and at this time I had an audience with Mr. Frazure and Colonel Fitch. Mrs. Sturm was also present. When we came into the room, Mr. Frazure and Colonel Fitch were whispering together and writing down some figures. Mr. Frazure asked me how many stores I had in the hotel, how many were rented, and how many were vacant. I gave him the information.

After more whispering and figuring, Mr. Frazure finally said "Doctor, here is the best we can do," and he offered me \$15,000 for my nine vacant stores and the hotel. I said that my expenses were more than that because the stores that were rented would move if the Army came in. Mr. Frazure then said, "Doctor, you know what you told me. You said you wanted to rent your property. I am doing you a favor now. I have worked to get your hotel taken over because you are out of the boundary of the section where they are taking hotels."

I told him that was not so, for I knew they had taken the Henry and the Regent, very near me, and that these had been rented for about a year by the Army, and also reminded him that the Army had taken the Ger Hotel within 20 feet of me.

I said I would like to have the hotel appraised, and Colonel Fitch said an appraisal would give me less than they were offering. I was worried because the picture looked bad, and their attitude was to take it or leave it. I said, "Frazure, all I want is a decent living. I have all my money invested in this building," but he said they could not do any better. I then talked the matter over with my wife and we thought it best to sign the option, so we did.

After the Army was in the building and I was getting ready to remove certain things, a Mr. Schwartz from the real-estate office of D. J. Dooley came and said, "I have been sent down to make an appraisal on the value of your property by the engineers." I said that I did not know why the property was being appraised because I had signed an option for \$15,000, including the nine stores. He came back 2 or 3 days later and said he had recommended that the appraisal of the lease without the stores be \$20,000.

Before signing the option, I had seen the real-estate appraiser, Mr. Ed Keefer. I told him of my problem and said I would like to pay for an appraisal. He said "You do not have to pay for what I am going to tell you. You are being

undersold." I then went back and told this to Mr. Frazure, but he would not change his price and still maintained they were doing me a big favor by offering me \$15,000.

Before signing, I asked for an interview with Colonel Fitch, and said to him that according to the values of other properties and the rentals being paid, I felt I was getting far less than the value of my property justified. He said, "Doctor, if you had a real appraisal you would get far less than I am offering you, and you cannot afford to wait."

At another time, when I went to my hotel, one of the captains told me I could use one of the stores for storage, and I saw Colonel Fitch about it. He said, "Do you want your property back? You can have it." But I said I could not then afford to take it back because they had ripped out everything.

I did not leave my carpets and rugs, but took these. I packed my linens in a vacant store. I had enough linens for 200 beds. Someone in charge there asked us for them. I said I did not have them, but he said "We know you have them and we must have the linens, especially the sheets," and they then sent a sergeant for the key. Three months after they had taken the linens they gave me a count which showed one-third of what I had had. When I packed my linens I valued them at \$1,600. Originally they cost \$2,500 to \$3,000. They paid only \$290 for them. They made out the slip, and said "Here is what we will pay." I said I had more sheets, and they said that was all they counted out.

I have an extension roof on which men have been walking and playing. This now has to be repaired because of such use, and the repair will cost \$165. They phoned my wife I would have to take care of this or I would not receive my rental.

Another time they sent me notice I had to make some electrical repairs which would cost \$46. Another time I received notice I would have to have the door checks fixed or the rent would not be paid. I tried to find someone who could do this work, but could find no one in town who could repair the door checks. Finally I said I would pay for this repair if the Army could locate someone to do the work. I have heard nothing from this since.

Since the Army took my hotel, five tenants in my stores have moved because the Army was in, and my income has therefore been reduced just that much more.

They said if I did not sign the lease I would probably lose the property. My ground rental is \$12,600 per annum; taxes \$2,800, insurance \$1,600, and I have an investment of over \$90,000 in the property. At the time I made the lease I had an income of \$6,000 from the stores. I am now receiving \$19,000—\$15,000 from the Government and \$4,000 from rental from the stores.

On my Federal income-tax return, I am permitted a depreciation of \$5,400 per year on my property—which figure is interesting in comparison with the rental the Government is paying me.

At the time the lease was made, something was said about there being only 3 men to a room. I took them my blue prints and floor plans, which they kept for a day or two. They figured on the basis of 1,800 cubic feet per man, but they have had 6 men sleeping in the corner rooms and 4 in the other rooms. A sergeant told me they had more than 420 men in the hotel; but they should have had 150 at the rate they were paying me.

Quite some time before the matter of my lease was discussed I attended a meeting at which there was something said about \$10 per month per man.

I have been in my hotel several times since the Army took over, and find it is very much torn up.

First I was told to take out all of the desks, which I did, and then I was told to put them back. They took a lot of these and put them into the lobby. The desks are now falling apart, and the stuffing is coming out of the chairs. In one of my stores they have made a table tennis room. A lot of things are in bad condition.

My building was erected in 1934 and in 1937, and the furniture is the same age. The furniture was in good shape before the Army took over. I had the furniture taken care of every year. Nothing was said about the condition of the furniture, so it was in good shape.

MAURICE A. STURM.

Personally subscribed and sworn to before me on this, the 16th day of June, A. D. 1943.

[SEAL]

GLYNN O. RASCO.

Notary Public, State of Florida at large.

My commission expires July 16, 1946.

EXHIBIT No. 1047

STATEMENT OF COL. JOHN J. O'BRIEN, CHIEF, REAL ESTATE DIVISION, OFFICE OF CHIEF OF ENGINEERS, IN CONNECTION WITH ARMY ACQUISITION OF HOTELS

MIAMI BEACH, FLA., *January 10, 1944.*

In connection with the Macfadden-Deauville Hotel, the hotel was among the first ones occupied at the time of the first activation. After an occupancy of approximately 30 days the hotel was inspected by the fire inspector of the post engineer. At that time it developed that the wiring of the hotel was defective and that for this and other reasons the hotel was not safe for troop occupancy.

On January 9, 1943, the post engineer was notified of the condition of the hotel by the fire inspector, who recommended, "It is the opinion of this office that under present conditions the Macfadden-Deauville Hotel is a dangerous building for troop housing."

The commanding officer, Army Air Forces, acting upon the recommendations of the post engineer, notified the real-estate department that troops were being withdrawn and that the hotel should be surrendered. This was done immediately.

Copies of the various fire reports and other items have been furnished.

HEADQUARTERS MIAMI BEACH AIR BASE COMMAND

Fifth District

ARMY AIR FORCES TECHNICAL TRAINING COMMAND

Office of the Post Engineer

MIAMI BEACH, FLA., *January 9, 1943.*

Subject: Inspection of the MacFadden-Deauville Hotel, 6701 Collins Avenue, Miami Beach, Fla.

To: Major Harding.

1. There are three types of construction at the above hotel. The construction of the main building at the MacFadden-Deauville Hotel is of reinforced concrete and concrete block. Numerous partitions located throughout this structure are, however, of wood lathe and plaster. In several of the hallways and rooms of the lower floors plaster and lathe is out.

2. The adjacent building immediately to the East of the main structure is constructed of masonry walls and wood joist. In some portions of the northeast structure wooden supports are exposed and show signs of decay. The same condition exists in part of the extreme south structure.

3. The general condition of the two aforementioned buildings is bad.

4. With reference to the exits, there are six exits in the building. All of these exits, with the exception of one in the northeast wing, are of wooden construction and are not enclosed. It is the opinion of this office that any building housing as many troops as are housed in this hotel should have fire-resistant stair wells enclosed with a metal-clad fire door at each floor exit. The one properly constructed fire well in the entire building is located in the northeast section of the building.

5. There are two boiler rooms located at this hotel. The construction of both of these boiler rooms does not meet the requirements of the National Board of Fire Underwriters. All boiler rooms, to meet the necessary requirements, should be enclosed in a fire-resistant construction. The boiler room located within the south structure has masonry walls, but wooden structure above. The boiler room located at the rear of the main building just south of the northeast wing is mostly enclosed in wooden structure with concrete floors. Both of these rooms as they now are constitute a serious fire and life hazard.

6. A great amount of reconstruction would be necessary to place these boiler rooms in the desired condition to conform to fire regulations.

7. An electrical inspection has been made by the post engineer inspection department.

8. It is the opinion of this office that under present conditions the Macfadden-Deauville Hotel is a dangerous building for troop housing.

JAMES A. FLEMING, *Fire Chief.*

9182 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

ELECTRICAL VIOLATION, MACFADDEN-DEAUVILLE HOTEL, 6701 COLLINS AVENUE

EXTERIOR

Front side: Extension cords on walls. Exposed untaped wires. Tube not strapped. Tube trapped. Improper switch to neon sign.

North side: Conduit not strapped.

South side: BX cable exposed to weather. Conduit trapped.

East side: Exposed untaped wires. Condulet covers missing. Conduit not strapped. Conduit trapped. Neon under canopy improperly installed. Fixtures not properly secured in place. Neon cable shorted out. Extension cords on walls. Exposed loose wires. Floodlights improperly connected.

Photo room: Switch and recept plates missing.

Boat dock: Extension cords on walls. Exposed wires untaped. Condulet covers missing. Outlet box covers missing.

Cabanas: Outlet box covers missing. Panel covers missing. Panels overfused. Conduit trapped.

Cabanas (Interior): Junction box covers missing. Outlet box covers missing. BX cable not strapped. Conduit connected to wall box laying loose on floor. Extension cords on walls and ceilings.

INTERIOR

First Floor.

Carpenter Shop.—Motor improperly connected. Tube improperly strapped. Tube trapped. Motors overfused.

Pool pump room.—Pull box cover missing. Junction box cover missing. Switch not secured in place. Exhaust fan not secured in place. Switches overfused. Motors improperly connected. Extension cords on pipes and walls. Broken connect box on sump pump.

Meter room.—Trapped conduits. Extension cords on busses and panel. Panel cover missing. Panel overfused.

Lobby.—Extension cords on walls. Wire mold fittings missing.

Office.—Extension cords on walls and base. Wire mold fittings missing.

Corridor rear of office.—Junction box cover missing.

North corridor.—Panels overfused. Junction box cover missing. Exposed untaped wires.

Rear corridor.—Exposed untaped wires. Extension cords on wall and pipes. Panel covers missing. Outlet box covers missing.

Locker room.—Exposed wires.

North linen room.—Outlet-box covers missing. Fan improperly connected. Extension cords on walls. Switch plates missing.

South corridor.—Receptacle plates missing. Open junction boxes in ceiling and walls. Extension cords on walls. Exposed untaped wires. Sign improperly connected.

South linen room.—Panel cover missing.

Patio.—Exposed wires. Motors improperly connected.

South rear corridor.—Panel cover missing. Exposed untaped wires.

Storage room.—Exposed untaped wires.

Phone booth.—Exposed untaped wires.

Grease-trap room.—BX cable not strapped. Exposed untaped wires. Lead cable tacked to ceiling. Panel overfused.

Kitchen.—Extension cord on pipes. Panel overfused. Tube trapped. Fixtures improperly installed. Outlet-box covers missing. Exposed untaped wires. Extension cords on ceiling in toilet. Switch plates missing. Junction-box covers missing. Outlet-box cover missing in toilet. Motors overfused.

Employee dining room.—Junction box cover missing. Improper wiring. Panel overfused.

Closet under stair.—Motors improperly fused and connected.

Vegetable room.—Motors overfused.

Blower room.—Motor overfused. Exposed wires. Unstrapped conduit. Junction-box cover missing.

Boiler room.—Junction-box cover missing. Exposed untaped wires. Extension cords on pipes. Conduit trapped. Motors improperly fused and connected.

Dining room.—Extension cords on walls. Fixtures improperly installed.

Cocktail lounge.—Receptacle plates missing. Conduit trapped. Receptacles not secured in place. Signs improperly connected.

Second floor.

Deauville and all adjacent rooms.—Receptacle plates missing. Outlet-box covers missing. Exposed wires. Extension cords on walls, through ceiling on base and over partitions. Fixtures improperly connected. Receptacles not properly secured in place. Panels overfused.

Operators booth.—Extension cords on walls and running into attic. Outlet-box covers missing. Exposed wires. Dinner bank improperly connected.

Kitchen.—Outlet-box covers missing. Receptacle plates missing.

Kitchen stair.—Outlet-box covers missing. Exposed wires. Conduit improperly strapped. Tube connectors loose. BX cable not strapped. Pull-box cover missing. Fixture improperly secured in place. Panel overfused.

South corridor.—Panel in linen closet overfused and cover missing.

North corridor.—Panel in linen closet overfused.

Play house.—Extension cords on walls. Exposed wires. Outlet-box covers missing. Conduit improperly strapped. Three 220-volt line laying on floor, under benches, and through walls.

Reading room.—Fixtures improperly hung and connected. BX cable not strapped. Exposed untaped wires. Extension cords on walls, pipes, base, and ceiling. BX cable not strapped in stairway. Improper starter connection. Panel in stairway overfused. Outlet box cover missing. Exposed improper wiring running into attic.

Third floor.

North corridor.—Panel in linen closet overfused. Panel improperly secured.

South Corridor.—Panel cover missing. Improper wire-mould fittings. Switch box overfused.

Attic.—Extension cords on rafters.

Attic over lobby.—Floodlight improperly connected.

Roof.—Blower fan overfused and connector box open. Floodlights improperly connected.

North Tower.—Extension cords on walls.

South tower.—Switch improperly secured in place and plate missing.

RECOMMENDED CHANGES FOR BOILERS AND BOILER ROOMS AT MACFADDEN-DEAUVILLE

General.—Boilers and oil burners should be housed in fire-resistant rooms constructed of materials to give not less than the following resistances: Walls, 3 hours; ceiling, 2 hours; and floor, 2 hours.

The boiler rooms should be ventilated by louvres, or other means, opening to the outside area. For the north boiler room, ventilation facilities should be sufficient to permit intake of 2,000 cubic feet of air per hour for combustion only.

Ventilation facilities for the south boiler room should be sufficient for the intake of 1,600 cubic feet of air per hour for combustion only.

Steam and water piping.—All piping to both boilers should be disconnected and reinstalled as follows:

Hartford loop should be installed on each boiler. Condensate return and make-up water from receiver should be piped into loop 2 inches below water line of boilers; this line should be equipped with check valve and gate valve between check and boiler. Manual feed-water line should enter this line between gate valve and boiler. This line should also be equipped with gate valve and check between gate and boiler.

Oil piping.—Oil suction and return lines should be repaired or replaced at damaged points.

Wiring.—Wiring inside boiler rooms exposed to high temperatures should be asbestos covered. All circuits should be protected by proper fusing. Emergency disconnect switch should be at/by/or outside boiler-room door, and easily accessible to operator.

FIRE PREVENTION INSPECTION REPORT, MACFADDEN-DEAUVILLE HOTEL, 6701 COLLINS AVENUE, MIAMI BEACH, FLA.

JANUARY 9, 1943.

Inspector: C. D. Flanigen.

Use.—Troop housing and mess (not leased, occupancy under permit).

Summary: This building has three types of construction—center, reinforced concrete first and second floor, roof, composition on wood, no slab under. Two

wings, concrete block walls, ordinary wood joisted, composition roof. Cabanas, frame. General condition, poor. Boiler rooms not cut off. Electric wiring, generally poor. Housekeeping, poor. Accumulation of trash, rubbish, and storage in basement, outbuildings, and attic. In the present condition this building is not suitable for housing troops or mess.

1. *Description of buildings.*—Three stories and part basement. Center section reinforced concrete with concrete block walls, roof composition on wood, no slab under. Plaster on wood lath partitions. Two wings, concrete block walls, ordinary joisted, composition roof. Lath and plaster coming off in a number of places. Wooden columns and plate on bottom floor are rotting in several places. In one place steel reinforced members are exposed and concrete is cracking. Cabanas are frame.

2. *Public fire protection.*—Under protection of the Miami Beach Fire Department, fourth grade, National Bureau of Fire Underwriters. Hydrant in front of building.

3. *Private fire protection.*—There are four inside standpipes with outlets, hose, and nozzles on each floor. Inadequate number of fire extinguishers distributed.

4. *Fire-alarm system.*—Telephones on each floor. Municipal fire-alarm box, 3 blocks.

5. *Fire exits.*—Six interior stairways, five open and one enclosed in masonry tower, with concrete stairs, openings on each floor protected. No outside exits.

6. *Store rooms.*—Using part of basement and attic. General condition, poor.

7. *Boiler room.*—Two, each east of and adjoining main building. One enclosed with frame walls, the other by brick walls, wood ceiling. Both covered with composition. Neither are cut off from the building. Stacks in fair condition but breaching too close to woodwork.

8. *Fuel-oil storage.*—Outside, buried.

9. *Heating system.*—None.

10. *Electric wiring.*—In generally poor condition. Report made by electrician of post engineer's office, attached, lists numerous defects and improper installations.

11. *Water heating.*—By two heaters located in boiler rooms. Report by heating engineer in post engineer's office, attached, indicates improper installation of both units.

CONCLUSION

The post engineer has estimated that a minimum of \$30,000 and 60 days' work would be required to repair this building and to make it reasonably fire safe and structurally safe and put in suitable condition for troop housing and mess.

RECOMMENDATIONS

That, due to the cost and time necessary to put this building in reasonable fire-safe condition in accordance with O. C. E. circular letters concerning leased buildings for troop housing, no further consideration be given to the use of this building for such purposes.

HEADQUARTERS MIAMI BEACH AIR BASE COMMAND, FIFTH DISTRICT,
ARMY AIR FORCES TECHNICAL TRAINING COMMAND,
OFFICE OF THE POST ENGINEER,
Miami Beach, Fla., January 12, 1943.

Subject: MacFadden-Deauville Hotel, Miami Beach, Florida.

To: Capt. Sledge.

1. Enclosed is a report on the above hotel. It is really in bad shape—worse than either my report or the Chief's shows. Major Harding's office estimated the cost of \$30,000.00 necessary to make it structurally safe and enclose the stairways, but this did not include electrical work or piping. This also would involve a time element of sixty to ninety days.

2. At a meeting on January 11th with the following persons present:

Colonel Parker, Commanding Officer.
Colonel Benson, Executive Officer.
Lieutenant Colonel Fitch—Real Estate Dept.
Major Harding, Post Engineer.
J. A. Fleming, Post Fire Chief.
C. D. Flanigen, Assoc. Fire Prev. Eng.

3. After some discussion, in which Major Harding, Chief Fleming, and I explained the condition of the building to the others Col. Parker ordered the removal of all operations from the building. I did not mention this part in the report, but have recommended, as you will see, that no further consideration be given to the use of this building. Fortunately, no lease has been signed, but it is occupied under a permit.

4. I trust that my recommendation will meet with your approval. Everyone in the office here who has inspected it and the Squadron Commander and Mess Officer are in full agreement as to the unfitness for use.

5. I only have three copies of the Chief's report and of the Electrician and Heating Inspector's report, which are attached to the first two reports. I kept one copy for reference.

C. D. FLANIGEN,

MBP-LCS-tr

Form SAD-203

RU 413.2-Leased Facilities, Miami Beach
(MacFadden-Deauville Hotel)

REPAIRS AND UTILITIES BRANCH
79 Alabama Street

JANUARY 16, 1943.

MEMORANDUM CARRIER SHEET

Subject: Fire Prevention Inspection Report.
From: Fire Prevention Section, R & U Branch.
(1) To: Site Planning Section, SAD:

(Attention Mr. Ahrano.)

1. Attached are six (6) copies of Fire Prevention report covering the MacFadden Deauville Hotel, Miami Beach, Florida. In the event this report is not acceptable, the recommendations will be revised to show specifically the necessary fire prevention measures.

2. Based on Mr. Flanigen's letter of transmittal and statements over long distance telephone to the effect that neither his nor Chief Fleming's report adequately reflects the poor condition of the building, the report has my substantial concurrence. An estimate that six months would be required to place the building in usable condition has influenced me in my concurrence. However, it is not within the purview of a Fire Prevention Inspection Report to condemn a building because of the cost of complying with fire prevention requirements or other cost items, such as structural repairs. The determination as to whether the cost is excessive is not one for the Fire Prevention Section.

LAMAR C. SLEDGE,

Captain, Corps of Engineers,
Assistant.

Incls. Report (sex.)

EXTERIOR

Front side.—Extension cord on walls, exposed untaped wires, tube not strapped, tube trapped, improper switch to neon sign.

North side.—Conduit not strapped.

South side.—BX cable exposed to weather, conduit strapped.

East side.—Exposed untaped wires, conduit covers missing, conduit not strapped, conduit trapped, neon under-canopy improperly installed, fixtures not properly secured in place, neon cable shorted out, extension cords on walls, exposed loose wires, floodlights improperly connected.

Photo room.—Switch and receptacle plates missing.

Boat deck.—Extension cords on walls, exposed wires untaped, conduit covers missing, outlet box cover missing.

Cabanas.—Outlet box covers missing, panel covers missing, panels overfused, conduit trapped.

Cabanas interiors.—Junction box covers missing, outlet box covers missing, BX cable not strapped, conduit connected to wall box lying loose on floor, extension cords on walls and ceiling.

FIRST FLOOR

Carpenter shop.—Motor improperly connected, tube improperly strapped, tube trapped, motor overfused.

Pool pump room.—Pull box cover missing, junction box cover missing, switch not secured in place, exhaust fan not secured in place, switches overfused, knock-outs open, panel overfused, motors improperly connected, extension cords on pipes and walls, broken connect box on sump pump.

Meter room.—Trapped conduits, extension cords on busses and panel, panel cover missing, panel overfused.

Lobby.—Extension cords on walls, wire mould fittings missing.

Office.—Extension cords on walls, wire mould fittings missing.

Corridor, rear of office.—Junction box cover missing.

Corridor.—Panels overfused, junction box cover missing, exposed untaped wires.

Rear corridor.—Exposed untaped wires, extension cords on walls and pipes, panel covers missing, outlet box covers missing.

Locker room.—Exposed wires.

North linen room.—Outlet box covers missing, fan improperly connected, extension cords on walls, switch plates missing.

South corridor.—Receptacle plates missing, open junction boxes in ceiling and walls, extension cords on walls, exposed untaped wires, sign improperly connected.

South linen room.—Panel cover missing.

Patio.—Exposed wires, motors improperly connected.

South rear corridor.—Panel cover missing, exposed untaped wires.

Storage room.—Exposed untaped wires.

Phone booth.—Exposed untaped wires.

Grease trap room.—BX cable not strapped, lead cable tacked to ceiling, panel overfused.

Kitchen.—Extension cord on pipes, panel overfused, tube trapped, fixtures improperly installed, outlet box covers missing, exposed untaped wires, extension cords, junction box covers missing, outlet box covers missing in toilet, motors overfused.

FIRST FLOOR

Employee dining room.—Junction box cover missing, improper wiring, panel overfused.

Closet under stair.—Motors improperly fused and connected.

Vegetable room.—Motor overfused.

Blower room.—Motor overfused, exposed wires, unstrapped conduit, junction box missing.

Boiler room.—Motor improperly fused and connected, junction box cover missing, exposed untaped wires, extension cords on pipes, conduit tapped.

Dining room.—Extension cords on walls, fixture improperly installed.

Cocktail lounge.—Receptacle plates missing, conduit trapped receptacles not secured in place, signs improperly connected.

SECOND FLOOR

Deauville, adjacent rooms.—Receptacle plates missing, outlet box covers missing, exposed wires, extension cords on walls, through ceiling, on base and over partitions, fixtures improperly connected, receptacles not properly secured in place, panels overfused.

Operators booth.—Extension cords on walls and running into attic, outlet box covers missing, exposed wires, dinner bank improperly connected.

Kitchen.—Outlet box covers missing, receptacle plates missing.

Kitchen stair.—Outlet box covers missing, exposed wires, conduit improperly strapped, tube connectors loose, BX cable not strapped, pull-box cover missing, fixture improperly secured in place, panel overfused.

South corridors.—Panels in linen closet overfused and cover missing.

North corridors.—Panels in linen closet overfused and cover missing.

Play house.—Extension cords on walls, exposed wires, outlet box covers missing, conduit improperly strapped, 3-phase 220-volt line lying on floor, under benches, and through walls.

Reading room.—Fixtures improperly hung and connected, BX cable not strapped, exposed untaped wires, extension cords on walls pipes, base and ceiling, BX cables not strapped in stairway, improper starter connection, panel in stairway, improper starter connection, panel in stairway overfused, outlet box cover missing, exposed improper wiring running into attic.

THIRD FLOOR

North corridor.—Panel in linen closet overfused, panel improperly secured.
South corridor.—Panel cover missing, improper wires mould fittings, switch box overfused.

Attic.—Extension cords on rafters.

Attic.—Over lobby, floodlights improperly connected.

Roof.—Blower fan overfused and connector box open, floodlight improperly connected.

North tower.—Extension cords on walls.

South tower.—Switch improperly secured in place and plate missing.

ABC Form No. 2

HEADQUARTERS

MIAMI BEACH AIR BASE COMMAND

FIFTH DISTRICT, AAFTC

Miami Beach, Florida

JANUARY 14, 1943.

Subject: Cancellation of lease on Macfadden-Deauville Hotel.

INTER-OFFICE MEMORANDUM

From	To	Date	Remarks
Executive..	Real-estate project	Jan. 14, 1943	<p>1. These premises are being vacated as of this date, and request that you notify the owner that the Government does not require these facilities due to hazardous conditions existing in the building that will not permit housing or messing of troops.</p> <p>For the Commanding Officer: JOSEPH W. BENSON, Colonel, Air Corps, Executive.</p>

NOTE.—Use full width of paper for lengthy remarks. Use both sides if necessary.

NEW YORK, N. Y., January 15, 1944.

Colonel FITCH,

MacFadden-Deauville Hotel:

Just learned electric wiring is faulty. Only part of building will be affected. Electric current can be turned off. Defective part and flashlights and candles used until repair job can be finished.

BERNARR MACFADDEN.

NEW YORK, N. Y.

Lt. Col. DAVID G. FITCHE,

Miami Beach, Fla.:

Referring to Fire Protection Association, architect is not needed to discover that there are six stairways leading from the third floor: That there are nine stairways, including outlets from the second floor: That there is a fire wall in the middle of the northern section also in the middle of the southern section which extends from basement to roof: That there is a steel door in the hall at these fire walls which can be closed confining fire to certain parts of the building: That Deauville room has numerous outlets, including windows that can be broken: That the northern Inspiration Hall has only three outlets, but there are plenty of windows that can be broken. You might ask your men why they removed all the fire extinguishers which were placed numerous about the building. This may be the cause of the complaint against the building. With the fire extinguishers the building has been protected as far as possible in wooden buildings. All these facts can easily be verified. Any proposition presented to my board of directors must be recommended by legal adviser, J. E. Yonge.

BERNARR MACFADDEN.

NEW YORK, N. Y.

Colonel FITCH,

MacFadden-Deauville Hotel, 6701 Collins Avenue:

Referring statement relative Deauville fire hazard be advised during our tenancy building and fire inspections made twice yearly and any violations promptly removed. If Deauville is now a firetrap, it has become so since your occupancy. Have wired Capt. Warren Freeman, director of our foundation who has supervised hotel activities, to see you about this.

BERNARR MACFADDEN.

MEMORANDUM OF TELEPHONE CONVERSATION BETWEEN LIEUTENANT CLARK, ASSISTANT POST ENGINEER, MIAMI BEACH, JAMES A. FLEMING, FIRE CHIEF, AND CAPTAIN SLEDGE, OF THIS HEADQUARTERS, REGARDING THE MACFADDEN-DEAUVILLE HOTEL, MIAMI BEACH, FLA.

JANUARY 15, 1943.

1. Captain Sledge called Lieutenant Clark, who stated that Major Harding was away from the post and would not return until January 20. Captain Sledge requested a break-down of the \$30,000 estimate furnished this office by Associate Fire Prevention Engineer C. D. Flanigan. Lieutenant Clark stated that the following represented the only break-down available in that office:

(a) Structural repairs to and adaptation of mess section of building	\$7,000
(b) Plumbing in mess section	4,500
(c) Electrical wiring in mess section only	320
(d) Structural repairs to other sections of building, including the repairs to stairways, replacing of termite-destroyed beams, construction of 2 boiler rooms, etc.	9,090
(e) Fire protection only (including the enclosure of 5 stairways, the construction of 3 stair-type fire escapes, draft-stops, etc.)	9,090
Total	30,000

In addition to the above estimate quoted by Mr. Flanigan, it is suggested that \$10,000 be added to cover the cost of rewiring the building and re-installing the steam and water piping for the boilers, not included above.

Grand total	40,000
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2. Lieutenant Clark also furnished the following information:

- Housing capacity of the Macfadden-Deauville Hotel: 411.
- Number of troops now housed in hotel: None. All troops were evacuated January 14, 1943.
- Army facilities remaining in hotel: Approximately 3,000-man mess.
- Adequate facilities are available at this time for housing the 411 troops formerly occupying the Deauville.
- The only advantage to obtaining the Deauville is the availability of mess facilities in the building.
- No other mess facilities to replace those in the Deauville are available in the vicinity. The two recently constructed messes are now serving more than their capacities.
- The cabanas are not arranged for rapid evacuation and should not be used for troop housing. These facilities have not been used in the past and are included in the housing capacity of 411.
- So far as Lieutenant Clark knew, the post engineer's office had not communicated with the owner's representatives at all, any communication with such representatives having been through Lieutenant Colonel Fitch's office.
- Upon completion of the structural rehabilitation and additional fire-prevention measures covered by the estimate given in paragraph 1 above, the provisions of O. C. E. Circular Letter No. 2191 will be substantially complied with. Also Colonel Parker said he would be glad to move back in when it was so rehabilitated.

Col. B: If we decide to go ahead with remodeling, complete TT report to OCE will be required for clearance on expenditure of \$30,000. Certificate necessary. Complete R. E. data will be required.

W. P. B.

EXHIBIT No. 1048

MIAMI BEACH, FLA., July 15, 1943.

Re Mansion House, 1 Lincoln Road.

Mr. GLYNN O. RASCO,

*Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.*

DEAR MR. RASCO: With reference to the above-named property, of which I am the owner, may I say that I desire to have a readjustment of the rental on this hotel. The amount being paid to me now is not adequate.

I urge the appointment of an impartial committee to adjust my claim equitably.

Very truly yours,

HARRY SIRKIN.

EXHIBIT No. 1049

MIAMI BEACH, FLA., October 8, 1943.

Re Marine Terrace Hotel, Miami Beach, Fla.

Hon. HOMER FERGUSON,

United States Senate, Washington, D. C.

MY DEAR SIR: You are no doubt aware of the fact that the United States Government commandeered certain hotels at Miami Beach in connection with the basic-training center established here. The real-estate department of the Government used coercion, threats of condemnation, and unfair tactics in numerous instances, and in connection with the above hotel required the same to be turned over within 3 days time and agreed to pay only a rental named by them which was entirely insufficient to maintain an equity in the property. The arrogance and unfair treatment accorded various owners of property here, such as in our case, was un-American and not in keeping with democratic principles of the Government under which we live.

The full status of our property was known to the War Department, and notwithstanding the fact that the income would be entirely inadequate to care for our needs and thereby subject the property to foreclosure and loss of equity, our rights were not regarded, and other hotels were allowed to remain open and enjoy a normal business, even immediately adjoining our property.

No income has been received up to this writing in spite of the fact that the hotel was taken December 1 of last year and the property was forced into a foreclosure action, and unless we secure the income and possession of the premises within 3 months time and are able to refinance same under normal conditions, or receive a revenue sufficient to support our encumbrances, equity will be lost.

May I ask you to write to the War Department and urge that we receive fair and equitable treatment in the prompt payment of the obligation due us and return of the property or a rental sufficient to care for our needs.

I would deem it a personal favor to have an expression from you. While I know that the many affairs of this country are requiring your attention, the citizens enjoy the privilege of communication with their Representatives in matter of importance.

Very truly yours,

MARINE TERRACE HOTEL,
By JOHN B. REID, *President.*

MIAMI BEACH, FLA., October 26, 1943.

A PERSONAL MESSAGE FROM JOHN B. REID TO RUDOLPH HALLEY, EXECUTIVE ASSISTANT TO THE CHIEF COUNSEL, TRUMAN COMMITTEE, UNITED STATES SENATE BUILDING, WASHINGTON, D. C., Re MARINE TERRACE HOTEL, MIAMI BEACH

MY DEAR MR. HALLEY: I regret exceedingly that I did not have the opportunity of meeting you personally while in Washington, as I have been informed from many sources of the fine work that you have accomplished for the Truman committee, and feel that my personal file may have some things which might be of interest to you in connection with your presentation of the data you have collected.

There are one or two important things that I wish to draw your attention to, and that is:

1. Why should one hotel be singled out, and taken in a location, knowing its precarious financial condition would be jeopardized at an inadequate rental, when other hotels in the same vicinity were available.

2. Why the wide discrepancies in rentals at Miami Beach, where seemingly, in a great many instances, there was no thought given to the valuation of the property and the lack of uniformity of incomes commensurate with value? This certainly raises a good question in the minds of people here as to the reason for any such inequitable favoritism of various hotels at high rentals over other hotels with larger valuations at considerably smaller rentals.

3. The War Department knew on November 9, 1942, the status of the Marine Terrace Hotel, and that we were serving an important purpose in caring for officers and their families at reasonable rentals, and nevertheless, they took our hotel at the very low rental price which would cause the loss of the equity. (Please see attached letter of War Department which is in their files, and note that they took our hotel 3 weeks later—December 1—notwithstanding this fact.)

I expect to return to Washington within the next 2 weeks if I have not received a definite assurance from the War Department, to interview some 25 Senators, and I am compiling now a list of Miami Beach leases with authentic information so that this situation can be investigated thoroughly.

I would be very happy to hear from you, at your convenience, and also look forward to meeting you during my next trip to Washington.

Very truly yours,

JOHN B. REID.

THE MARINE TERRACE HOTEL,
Miami Beach, Fla., July 10, 1943.

In re Marine Terrace Hotel, Miami Beach, Fla.

TRUMAN COMMITTEE,

Senate Office Building, Washington, D. C.

GENTLEMEN: I have noted from press dispatches where you are interesting yourselves with the return of the hotels to owners at Miami Beach, and have shown an equitable disposition toward these owners.

Our case, briefly, is this: Long before the Army demanded possession of our hotel, they were advised that we were in perilous financial condition, and the taking of the same by the Army at an inadequate revenue would jeopardize our ownership, as lease could not be perfected on account of my son being in the foreign service of the armed forces and a title holder of a portion of the property, and that the revenue would be inadequate to care for our carrying charges.

We were handled in a most abrupt manner, and when informed that unless we surrendered our property condemnation proceedings would be entered into, not desiring to be publicized as failing to cooperate with the Government, we surrendered possession.

We have been unable to perfect a satisfactory lease with the Government and have received no revenue from the property during the occupancy, and as a result our interest is in peril and we are wondering whether or not it is within the powers of your committee to give attention to matters of this kind.

I might say further to you that we surrendered our hotel to the Government with the assurance that every other hotel of our type would be taken, and this agreement was not lived up to by the Government agencies here, and our neighbors remained open and enjoyed a profitable business with sufficient revenue to sustain their investments.

We have made application to the Reconstruction Finance Corporation for refinancing of our first mortgage, and the same has been refused and we stand to lose our property as a result of cooperating in the existing emergency.

I would deem it a favor to have you investigate our status, and give the matter such attention as is in your power.

Yours very truly,

MARINE TERRACE HOTEL,
JOHN B. REID, President.

THE MARINE TERRACE HOTEL,
Miami Beach, Fla., November 9, 1943.

PERSONAL MESSAGE

FROM

JOHN D. REID, MANAGING DIRECTOR,

TO

LT. COL. WILLIAM A. JONES,
EXECUTIVE OFFICER, A. A. F. T. T. C.,

CROMWELL HOTEL, Room 615,

MIAMI BEACH, FLA.,

Re: Marine Terrace Hotel, Ocean-Front at Twenty-seventh Street, Miami Beach, Fla.

MY DEAR COLONEL JONES: In the first place, I want you to know that my entire staff is cognizant of our responsibility to cooperate to the fullest possible extent under the existing conditions. In this spirit, I am addressing this communication to you, drawing your attention to certain facts as pertains to our property.

We have 150 feet of ocean-front property that had a value of \$150,000 in 1935 and 1938. Our property is improved with a modest structure of 52 rooms in the main building, and 29 in the annex, situated on the corner. Each of said properties occupies a \$75,000 lot.

Mr. E. D. Keefer, the recognized Government appraiser, in September of 1941 made an extensive investigation covering land, buildings, and furnishings, and placed a value of approximately \$385,000 on same at that time, written certified appraisal.

I desire to place before you the full facts on account of our peculiar situation. Our main building we will call project No. 1, consists of 52 hotel rooms, lounge, dining room, and one floor of public space, appraised by Mr. Keefer at \$127,000 for building, \$88,000 for land, and approximately \$30,000 for furnishings. This property is encumbered with a first mortgage that bears 10 percent interest, and the mortgage and interest accrued amounts to \$122,000. This mortgage is now in litigation, and we have adequate defense in our attorney's opinion to the foreclosure. There is a second mortgage on this property of \$18,000 in default, and we have defenses to any proceedings that are brought. There is a personal loan outstanding, undetermined but claimed at \$80,000.

On project No. 2, the corner property, this property is leased at \$6,500 per year, plus taxes and insurance and improvements consisting of 29 hotel rooms and 3 stores. There is an option of purchase on this property that expires March 15, next, at \$75,000. This property is covered with the further mortgage of \$65,000, representing building cost, and this mortgage is now being foreclosed.

The furniture in project No. 2, together with probably \$10,000 worth of furniture in project No. 1, is owned by Mrs. Reid individually, and is not encumbered with the real estate mortgages, but is encumbered with a \$3,250 individual loan. The total carrying charges on these properties, interest, taxes, insurance, amortization, and ground rentals, amounts to over \$30,000 a year.

Our hotel is a strictly resort hotel with three lounges, a parking lot valued at \$40,000 included in the above, and if we were to be paid on a per-room basis, it would be totally insufficient to maintain our equity, and would mean that we would be wiped out.

We believe that it will take at least 6 months' time through court actions to readjust our finances, and refinance our properties. In the meantime, we are serving a very great purpose to you in that we are being used by Army officers, specialists of the War Department, in transit back and forth from Central and South American points. Sergeant Haskins, who is at your desk in the Cromwell, will tell you of the good cooperation that we are giving, as I am personally in charge of our hotel, and such men as Col. Roy Jones and Colonel Siever will certify all the thoughtful attention that we are giving to these ranking officials in keeping with their status.

It would seem that there is a need at this time for at least one place of our type to be available to serve this purpose. If the Government steps in to condemn our property under the existing conditions, our entire equity would be wiped out and great financial hardship would be suffered as a result, and I hope therefore that you will weigh carefully the facts as submitted to you, which facts are known to Colonel Fitch and your Mr. John Frazier, and are peculiar as compared to any other hotel on Miami Beach, and I hope, sir, that you will give us a stay of execution pending our working out a basis so that the Reconstruction Finance Corporation may be allowed time to give us an adequate refinancing mortgage at a reasonable rate of interest, when it will be our pleasure to have the Govern-

ment lease our property for the duration for only a sufficiency so that our equity will be preserved.

I failed to mention that my young son, who is in the Maritime Service, a minor, is one of the coowners of the property of record.

I esteem it a privilege to be able to confer with you personally, and the matters related are of record.

Yours to command,

JOHN B. REID, *Managing Director.*

THE MARINE TERRACE HOTEL,
Miami Beach 40, Fla., January 4, 1944.

HON. HARLEY M. KILGORE,

Wofford Hotel, Miami Beach, Fla.

MY DEAR SENATOR: As head of one of the hotels recently returned by the Army, I feel sure that I express the viewpoint of a vast majority of hotel owners at Miami Beach in saying to you that we are grateful in having your committee come here in order to gain first-hand information pertaining to the treatment received by hotel owners from the Army in originally taking over the hotels. Secondly, the care given the hotels under Army occupation, the return of the hotels, and the compensation for rehabilitation of the properties.

As briefly as possible, I desire to place before you the method used in connection with the Marine Terrace Hotel on the ocean front in Miami Beach.

The Marine Terrace Hotel was taken over on December 1, 1942, with utter disregard of the cost of the property or due consideration to the encumbrances and mode of payment of such encumbrances, and other hotels were left remaining open in the same area to enjoy a normal patronage, notwithstanding the fact that the financial condition of these other hotels was such as to permit them to accept low Government rentals without forcing any hardships. Duress and threats of condemnation were used in taking the hotel.

During Army occupation the hotels were abused beyond conception and the hotels were returned in a filthy, dirty condition, with bugs of every description throughout the building; in every room, in every drawer of every dresser bugs and nests of bugs had accumulated, making it necessary for the owner to take care of it at his own expense and this was not allowed to be considered in returning the hotel as part of the rehabilitation cost, notwithstanding the fact that no human being could live in the returned hotels without proper fumigation.

When the Army moved in to take possession on December 1 they appeared about 10 o'clock in the morning, and we were notified that troops would be moving into the building at 5:30 that same afternoon, and it was humanly and physically impossible to take up room by room the carpets in the building, some of which were glued to the floor. No allowance was made for the replacement of the carpets when the hotel was turned back by the Army.

No. 3. The storerooms that were set aside for storage for the owner's use were broken into and used by the Army, and no allowance was made for the loss of silver or breakage of furniture, or for the stolen articles and other articles that were removed, because the lease failed to provide that this particular space was designated for the owner's use. In this connection we naturally construed that the leases were uniform, as we were informed that they were the usual forms and therefore they were executed not knowing that there was a variance in the different leases, and thought we were only complying with Government requirements in accepting the lease as presented.

A great many hotels were literally taken over by force or threats of condemnation and many patriotic owners of property in the community were perfectly willing to contribute to the war effort by releasing their properties, but felt that when the hotels were returned that due and prompt consideration should be given to such hotels as are in financial distress and under foreclosure as a result of Army occupation. However, those in charge at Washington ignored this situation and returned in lieu of hotels under foreclosure many properties that had been recently acquired by speculators and other hotels were still in foreclosure that should have been given consideration, prior to returning to speculators properties recently acquired. Also, the local commanding general was not considered

in returning the hotels, notwithstanding the fact it was logical that he should know above all others the housing needs in a given territory in order to arrange his schedule to conform to his then requirements.

Finally, and in conclusion, I am sure it is the consensus of opinion of hotel owners of Miami Beach that the treatment received from representatives of the War Department is not in keeping with the American attitude, and this policy inaugurated and carried out would break public confidence and tend to destroy the fundamentals of our democratic system.

I have a very interesting file accumulated, which shows that it became necessary in my particular case to bring the matter to the attention of more than 50 Senators in Washington before I could receive a respectful hearing, and I realize that it would work a great hardship on you Senators if every small problem of like importance be drawn to your attention in order to receive proper consideration.

I am giving you this information feeling that it is not the intention of our Government to work any undue hardship on its citizens, and I am convinced that the arrogant attitude of officers of the War Department here must not be construed as the attitude of our Government in dealing with its people, and that corrective measure should be taken without delay to see that no repetition of this dastardly affair is ever repeated when our Government is represented again.

I will be pleased to submit my files and certain other information, together with a personal explanation if it be desired.

Very truly yours,

MARINE TERRACE HOTEL,
JOHN B. REID, *Managing Director.*

EXHIBIT No. 1050

MELDRUM APARTMENTS,
Miami Beach, Fla.

TRUMAN COMMITTEE,
Miami Beach, Fla.

HONORABLE SIRs: I wish to bring before your honorable body my complaint, regarding the Meldrum Apartment House, 35 units, located at 825 West Avenue, Miami Beach, Fla.

Our property was taken over just like all of the buildings in Miami Beach, with the same procedure.

We have at all times fully cooperated with the Government officials' demands. The Government has not fully satisfied our wants, as they agreed to see that we would receive all of our furnishings and equipment so we could operate our building as heretofore.

We did receive priorities to purchase our linens, furniture, and refrigerators. We were able to buy our linens and furniture, but they never gave us a release order to purchase our refrigerators.

I had contacted all the officials at the beach Engineers' office without any result. Also contacted C. C. Crossland of the War Production Board at Washington, D. C., who referred me to Mr. Chambers and he in turn referred me to a Mr. Hall. All of these gentlemen are in the War Production Board.

I then wired Hon. Senator Claude Pepper, who referred me to War Production Board at Tampa, Fla. All of these requests were without any result. The answer was that the refrigerators were frozen.

For your information, our neighbor, the Norton Apartments, next door to us, received his refrigerators as well as the Covington Arms in the rear of the building. These properties are owned by Louis Glazer and were taken over the same time as our building.

Will you please see that we get release order, so we can purchase our refrigerators which we can secure from Maxwell Furniture Co. of Miami, Fla. It is very important as we have 12 babies as well as 10 soldiers and their wives in our building.

Please give this your attention as soon as possible.

Respectfully yours,

ALBERT SCHEUER.

EXHIBIT No. 1051

THE MILJEAN HOTEL,
Miami Beach, Fla., July 13, 1943.

MIAMI BEACH HOTEL OWNERS ASSOCIATION,
Miami Beach, Fla.

GENTLEMEN: Please be advised that May 29 we wrote to the War Department, Atlanta, Ga., requesting an adjustment on the rent of the Miljean Hotel. On June 30 we received an acknowledgement from James P. Brown, major, Corps of Engineers, contracting officer, that our letter is being placed on file, and we will be contacted by an officer on Miami Beach, in connection with restoring the building to the original condition when the Army took possession. As explained to you that we only had 24 hours to vacate, we were in no position to hold out for the amount we were entitled to, and were unable to remove furniture and carpets and all other expensive articles that we left in the hotel. We are being paid for 56 rooms whereas we should be paid for 62 rooms where they housed 12 men.

In our original application of April 1942 we requested \$16,000 per year rent with a break-down statement showing payments on first mortgage, second mortgage, taxes, insurance, etc. The price we accepted from the Army as war emergency was not enough to pay all these fixed charges; we did not receive an income on our investment. We trust this is the information you desire and hope we will get a reasonable adjustment, as we are always willing to cooperate with the United States Government on fair basis.

Thanking you in advance for your kind attention, we remain,

Yours very truly,

I. S. PERSE.
J. L. ARKIN.
By I. S. PERSE.

EXHIBIT No. 1052

THE NASH HOTEL,
Miami Beach, Fla., July 15, 1943.

MR. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: With reference to the Nash Hotel, located at Collins Avenue and Eleventh Street, of which I am the owner, may I say that I desire to have an impartial committee appointed to determine the damages done to this hotel.

Very truly yours,

NASH HOTEL,
By SAMUEL NASH,
Secretary.

EXHIBIT No. 1053

NATIONAL HOTEL,
Miami Beach, Fla., July 13, 1943.

Re National Hotel.
MR. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: With reference to the National Hotel at the ocean and Seventeenth Street, Miami Beach, which I own, I wish to say that I desire to have a readjustment of rental on my hotel. The amount being paid to me is inadequate.

I urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

HARRY KORETZKY.

STATE OF FLORIDA,
County of Dade:

On this day personally appeared before me, a notary public, Harry Koretzky, who after first being duly sworn deposes and says:

I am the owner of the National Hotel located at Miami Beach, Fla., which consists of 115 rooms, a swimming pool, and 11 cabanas.

The hotel was leased to the Government on April 1, 1942, for the sum of \$38,750 a year. A day or two before the Government leased the hotel, Mr. Bryan Hanks called upon my manager and myself and made the offer of \$38,750, at which time I requested the Government to pay me \$42,500, which was refused.

Mr. Hanks made statements that I, as the owner, would have to be patriotic, stating that a war was on and the Japs and the Germans did not wait for us, and that if I would lease the hotel he would assist me in getting a reduction in my taxes and the amortization of the mortgage.

I was sick and worried at the time and under the conditions that existed I thought I would have to sign the option, which I did. After signing the option, I sent a letter to General Wooten asking for an increase in the rental, which letter was not answered direct but was answered through Mr. Hanks, who directed me to Mr. Frazure and Colonel Fitch.

Colonel Fitch called the Baldwin Mortgage Co. and asked for a reduction in the amortization of the mortgage, which was agreed to by the mortgage company, provided I would make an assignment of \$2,000 per month of the rental, which would include the payment of taxes, insurance, and amortization.

I requested the \$42,500 as rental on the basis of three men in a room or \$10 per man per month, which would include all the public space. This request was denied and at the time it was denied Mr. Hanks made the statement that the boys would have to have shelter and again appealed to my patriotism; and in the conversation it was brought out that the hotel was leased on the basis of three men to a room.

When the option was signed the Government gave me the privilege of removing my carpets but upon my attempting to remove the carpets a lieutenant refused to permit me to do so. After some discussion he made the statement "You may remove them but if you do you will be required to cover the floors with something else," and I was forced to sign a waiver that the Government was not responsible for my carpets.

At the time the inventory was taken, which was made immediately after signing the option, the Government agreed to give me two rooms on each floor to store my furniture. The furniture was stored there for approximately 6 weeks, and then without my knowledge or consent the captain in charge of the building removed the furniture and in addition to this all of the kitchen equipment was removed without my knowledge and consent.

After the Army had occupied the premises for some time an elevator report was presented to me by the Government for my signature. I refused to sign the report for the reason that the Otis Elevator Co. had maintained the elevator and it was in good condition at the time the Government occupied the premises.

When I refused to sign, I was advised by a Mr. Saks of the Corps of Engineers that such refusal would result in my check being held up. This threat was carried through and my check was held up for 2 months. I then consulted my attorney and made exceptions by letter to the report, but signed the report after which my check for rental was paid.

At the time the option was signed the Government advised me I would have at least 2 weeks' notice to vacate. This agreement the Army did not live up to and only gave me 3 days' notice, and I was forced to vacate the premises within that time. My hotel was full and it threw a hardship not only upon me but upon my tenants to vacate in such a short period.

On March 1, 1943, Mr. Saks of the Engineers advised me to remove the lobby furniture which I did not do because upon inspecting the furniture I found that 90 percent would have to be refinished and reconditioned and that the refinishing and reconditioning of this particular furniture, which had been ruined by the Army, would cost me \$4,000. The original price of the furniture was between \$20,000 and \$25,000. The Army refused to make any adjustment for the refinishing and reconditioning of the furniture and personnel of the Government stated that the Government was not responsible and that the use of the furniture was ordinary wear and tear. This damage was caused by excessive heavy use by the Army for a short period of 10 months.

HARRY KORETZY.

Sworn and subscribed to before me on this the 5th day of June A. D. 1943.

[SEAL]

GLYNN O. RASCO,

Notary Public, State of Florida at large.

My commission expires July 16, 1946. Bonded by American Surety Co., of New York.

9196 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

APPRAISAL REPORT PREPARED FOR HARRY KORETZKY, NATIONAL HOTEL, MIAMI BEACH, FLA., BY W. L. HARRIS, MIAMI BEACH, MAY 19, 1943

QUALIFICATIONS OF APPRAISER

Resident of Dade County, Fla., for the past 30 years.

Actively engaged in the real-estate business for more than 28 years, buying, selling, developing, and appraising real estate.

Actively engaged in the profession of appraising properties and securities for more than 26 years.

Have devoted my entire time and efforts to appraising properties and securities for the past 9 years.

This covers appraisal work for estate inheritance-tax purposes, for income-tax purposes, for insurance and trust companies, for various branches of the Federal Government, for municipalities, for the State of Florida, the city of Miami, Fla., the county of Dade, Fla., and various individuals.

Was one of the first qualified appraisers for the Reconstruction Finance Corporation, the Reconstruction Finance Corporation Mortgage Co., and am still on their qualified list.

Have appraised for the Treasury Department of the United States.

Have appraised for the United States Coast Guard.

Appraise for 10 insurance companies.

Was one of the appraisers for the Federal Housing Administration.

Have appraised for trust and savings banks.

Have appraised for the city of Miami Beach, Fla.

Have testified before all courts as expert witness in real-estate valuations from the probate court of Dade County, Fla., to the circuit courts of Dade County and Palm Beach County Fla., the Federal courts of Miami, Jacksonville, and Tampa, Fla., the Board of Tax Appeals in Jacksonville, Fla., and Washington, D. C., and am frequently called on by investigators of Income and Estate Tax Divisions of the United States Government.

Formerly chairman of the Tax Advisory Board of the city of Miami, Fla., the purpose of which was to give valuations on all properties located within the city limits of Miami, Fla.

Chairman of the appraisal committee of the Miami Board of Realtors for the year 1943.

Member of the American Institute of Real Estate Appraisers.

Past president of the Miami Realty Board.

Past vice president of the Florida Association of Real Estate Boards.

Have appraised for local banks and trust companies.

CONDITIONS OF APPRAISALS

Unless otherwise stated, this appraisal is subject to the following conditions:

1. Information as to the description of the premises as to the physical features of the properly appraised have been submitted by the purchaser of this appraisal and by me assumed to be correct; and from personal inspection and investigation is believed by me to be correct.

Information is on file in my office, 750 Ingraham Building, Miami, Fla., and is available to person, or persons, to whom this certificate is issued.

2. It is assumed that title to said premises is good, and that there are no restrictions as to its use; and that the description of the premises correctly designates the boundary lines. No investigation or survey has been made, however.

3. The appraisal represents my opinion as to (a) actual fair market value of land; (b) estimated cost of construction; (c) depreciated replacement cost; (d) fair market value of building; (e) fair market value and fair rental value of furniture and fair rental; (f) analysis of income of this and other similarly located hotels; (g) a summation of the current market value of the land and building; (h) a price which a willing buyer might pay a willing seller on the open competitive market and a rental value which interested parties might pay as a fair annual market rental for the property.

4. The appraisal is of the date specified.

5. The appraisal covers the premises described only. Analysis of unit value derived is not applicable to any other property, however similar the same may be.

LEGAL DESCRIPTION

Lots seven (7), eight (8), thirteen (13), and fourteen (14), of block twenty-nine (29), Alton Beach First Sub., according to the plat thereof recorded in plat book 2, at page 77, of the public records of Dade County, Fla. National Hotel, Miami Beach, Fla.

Plat of property omitted from this copy.

Floor plans omitted from this copy, pages 7-12.

Estimated cubical contents

		<i>Cubic feet</i>
Basement:		
104 by 36 by 9 feet	-----	33,696
5 by 26 by 9 feet	-----	1,170
7 by 9 by 9 feet	-----	567
19 by 11 by 9 feet	-----	1,881
28 by 102 by 9 feet	-----	25,704
25 by 102 by 9 feet	-----	22,950
25 by 4 by 9 feet	-----	900
14 feet 6 inches by 19 by 9 feet	-----	2,480
First floor:		
89 feet 10 inches by 120 feet 7 inches by 18 feet 2 inches	196,781	
Less 30 feet 6 inches by 28 feet 5 inches by 18 feet 2 inches	15,751	
Less 4 feet 1½ inches by 37 feet 2 inches by 18 feet 2 inches	2,761	
	<u>18,512</u>	
		178,269
Porch: 18 by 65 feet by 18 feet 2 inches by ½ inch	-----	10,627
Second to eleventh floors, inclusive:		
59 feet 2 inches by 89 feet 10 inches by 87 feet 10 inches	466,834	
Less 4 feet 1½ inches by 37 feet 2 inches by 82 feet 10 inches	13,351	
	<u>453,483</u>	
Pent House:		
First floor:		
25 feet by 39 feet by 10 feet	-----	9,750
5 feet by 19 feet by 10 feet	-----	950
4 feet by 14 feet by 10 feet	-----	560
Second floor: 38 feet 8 inches by 24 feet 9½ inches by 9 feet 1 inch	-----	8,693
Third floor: 38 feet 8 inches by 24 feet 9½ inches by 8 feet 8 inches	-----	8,294
Treatment rooms:		
11 feet by 14 feet 11 inches by 10 feet	-----	1,640
11 feet by 14 feet by 10 inches	-----	1,540
Total estimated cubical contents	-----	<u>763,154</u>
First floor terrace:		<i>Square feet</i>
22 feet by 89 feet 10 inches	-----	1,976
30 feet 6 inches by 28 feet 5 inches	-----	867
Total	-----	<u>2,843</u>
Roof terrace:		
25 feet by 23 feet	-----	575
3 feet by 11 feet	-----	33
Total	-----	<u>608</u>

9198 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

Estimated cost of construction, depreciated replacement cost

	<i>Amount</i>
763,154 cubic feet at 35 cents.....	\$267, 103. 90
608 square feet at 44 cents.....	272. 52
2,843 square feet at 50 cents.....	1, 421. 50
Swimming pool and cabanas.....	10, 000. 00
Total estimated cost of improvements.....	278, 797. 92
Depreciation, Dec. 19, 1940, to Apr. 2, 1942 (4 percent).....	11, 151. 92
Depreciated replacement cost, Apr. 2, 1942.....	267, 646. 00
Depreciation, Apr. 3, 1942, to Apr. 2, 1943 (9 percent).....	24, 088. 00
Depreciated replacement cost to Apr. 2, 1943.....	243, 558. 00
Amount required to redecorate and refinish bathrooms.....	30, 415. 00
Total depreciated replacement cost improvements.....	213, 143. 00
Depreciated value (furniture, fixtures, linens, carpets, etc.).....	50, 888. 00
Land value, actual.....	90, 000. 00
Total physical value property.....	354, 031. 00

Economic value based on income less expenses and depreciation

Average seasonal income:	
Rooms.....	\$103, 363. 30
Other sources.....	3, 179. 28
Total average income.....	106, 542. 58
Fixed expenses:	
Average taxes.....	\$7, 681. 21
Average insurance.....	1, 895. 19
	9, 576. 40
Operating expenses: Average.....	49, 802. 81
Total average expenses.....	59, 379. 21
Net operating profit average before depreciation.....	47, 163. 37
Depreciation improvements.....	\$6, 813. 00
Depreciation furniture, fixtures, etc.....	5, 776. 64
Total depreciation.....	12, 589. 64
Net profit.....	34, 573. 73
Capitalized at 10 percent, \$34,573.73 equals.....	345, 737. 30
Allocated:	
6 percent land.....	5, 400. 00
10 percent furniture, fixtures, etc.....	5, 776. 64
11 percent improvements.....	23, 397. 09

Taxes, assessed values, insurance rates, and building permit

Taxes 1942:	
City of Miami Beach:	
Lot 7.....	\$270. 00
Lot 8.....	270. 00
Lot 13.....	2, 398. 40
Lot 14.....	140. 40
State and county: Lots 7, 8, 13, 14.....	3, 997. 90

Taxes, assessed values, insurance rates, and building permit—Continued

Assessed Values, 1942:

City of Miami Beach:

Lot 7-----	\$11,250.00
Lot 8-----	11,250.00
Lot 13:	
Real estate-----	5,850.00
Improvements-----	98,500.00
Lot 14-----	5,850.00
State and county: Lots 7, 8, 13, 14-----	338,000.00

Insurance rates:

Fire:

Building-----	.098
Contents-----	.244

Wind:

Building-----	.45
Contents-----	.675

Building permit, July, 1940----- 220,000.00

CERTIFICATE OF APPRAISAL

I, the undersigned, having considered the application for the appraisal of the property herein described, do hereby certify that I have no personal nor financial interest in the same;

That, to the best of my knowledge and belief, the statements and opinions contained in this appraisal, subject to the limited conditions set forth in the body of this appraisal, are correct.

Fair market value as of May 19, 1943

Lots 7, 8, 13 and 14, block 29, Alton Beach, first subdivision, according to the plat thereof recorded in plat book 2, at p. 77, of the Public Records of Dade County, Fla. (National Hotel, Miami Beach, Fla.)-- \$355,750

Allocated:

Improvements-----	\$215,750
Land-----	90,000
Furniture, fixtures, linens, carpets, etc-----	50,000

Total value----- 355,750

Fair annual rental value as of May 19, 1943

Property above described----- 38,750

Fair market value as of April 3, 1943

Lots 7, 8, 13, and 14, block 29, Alton Beach first subdivision, according to the plat thereof recorded in plat book 2, at p. 77, of the Public Records of Dade County, Fla. (National Hotel, Miami Beach, Fla.)-- \$415,000

Allocated:

Improvements-----	\$267,646
Land-----	90,000
Furniture, fixtures, linens, carpets, etc-----	57,354

Total value----- 415,000

Fair annual rental value as of April 3, 1942, for period of 5 years:

Property above described----- 43,500

(Lessee to pay taxes, insurance, and maintain interior and lessor to maintain exterior of building.)

W. L. HARRIS.

COMMENTS

The National Hotel is a concrete block stucco building and would be considered an 11-story building with penthouse and tower.

The basement contains the boiler room, barber shop, valet room, men's and ladies' bathers room with showers, male help toilet and shower, female help toilet and shower, storage rooms, liquor storage room, trunk storage room, linen rooms, refrigeration room, preparation room, supply room, dance studio, help's dining room, three rooms for help, one of the rooms for help having full bath and the other two having shower baths only.

The first floor contains lobby, lounge, cocktail lounge, dining room, kitchen, porters' quarters, ladies' powder room, men's washroom, newsstand, room-service room, general office, manager's office, and secretary's office.

The mezzanine has two offices and a card room.

There are 8 typical floors, each floor having 12 bedrooms and 12 baths and a suite of rooms with bath on each of the 8 floors.

The first floor penthouse has an apartment consisting of living room, bedroom, kitchenette, and bath, and in addition, there are ladies' and men's restrooms with showers which are used in conjunction with the two treatment rooms and the two solariums that are on this floor level. The solariums, both for men and women, are cement slab with duck boards covering.

The second floor of the penthouse contains bedroom, bath, storage room and the lower part of the tank room.

The third floor of the penthouse is used entirely for the elevators and the tank room.

In addition to the space mentioned in the hotel, there is a porch and a large terrace to the ocean front, a swimming pool with 10 cabanas, 1 storage room and cabana, 1 pantry room and cabana. The swimming pool is built of colored cement, is approximately 30 by 60 feet and runs from a depth of 3½ feet to 10 feet. The cabanas have running water and showers in each cabana.

On the roof of the first floor penthouse there is a large terrace with tile roof.

There is a total of 114 rooms that can be used as guest rooms in addition to the first floor penthouse which can be used as an apartment.

The hotel is served by two elevators that run from the basement to the first floor penthouse.

A typical bedroom has concrete floor, carpeted; bathroom with tile floor, base and wainscoting; closets with cement-finish floors and wood base.

The linen closets have cement-finish floors with wood base; service closets have cement-finish floors with wood base; the corridors, cement-floor carpeted, wood base; elevator foyers, cement-floor carpeted; stairway No. 1 terrazzo from basement to mezzanine, cement base; stairway No. 2, cement finish, cement base; sitting rooms shown in this appraisal as eight suites have cement floors carpeted.

The floors in the basement of the hotel are cement and terrazzo and the walls, cement plaster.

Material schedule for the first floor and the mezzanine is as follows: Lobby, terrazzo floors, smooth plaster walls, ceiling acoustical board, plastered; lounge, terrazzo floor, smooth plaster walls and ceiling; dining room, terrazzo floor, carpeted, acoustical board plastered; cocktail lounge, terrazzo floor, smooth plaster walls; kitchen, cement floor, Keene cement walls, acoustical board, plastered ceiling; pantry, the same as kitchen; checkroom, same as kitchen and pantry, with exception that walls are smooth plaster; ladies' toilet has terrazzo floor, tile base, Keene cement walls, ceiling of smooth plaster; powder room has cement floor, wood base, smooth plaster walls and ceiling; men's toilet has terrazzo floors, tile base, tile wainscoting, Keene cement walls, ceiling of plaster.

With exception of the general office which is asphalt tile, the porters' closet which is cement, the manager's and secretary's offices which have cement floors, the balance of the first floor is terrazzo.

The mezzanine has cement floor and smooth plaster walls and ceiling.

The building was constructed in 1940 and completed about the middle of December 1940 and at an estimated cost as shown in this appraisal of \$278,797.92.

The hotel was operated from December 19, 1940, to April 1942. The total cost of all furniture and fixtures, including bar equipment, linens, glassware, and kitchen utensils is estimated at better than \$2,500, the cost of these fixtures, furniture, and supplies being furnished by a certified public accountant. Only a small amount of these fixtures was in the hotel at the time the inspection was made and that portion being the carpets, some of the chests of drawers, chairs, etc., which had been left in the hotel at the time it was leased to the Army. From my personal knowledge of costs in furnishing hotels and from my per-

sonal inspection of that portion of the furniture left in the building, I am satisfied that these figures are not far off from the actual original cost.

This appraisal shows first in the certificate of appraisal the depreciated value of the property as of May 19, 1943, which is shown last in the estimated cubical contents and cost of construction as the depreciated replacement cost of the building furniture, etc., together with the land today.

The certificate of appraisal as of April 2, 1942, shows the depreciated value of the building, the depreciated value of the furniture and the land cost and the fair market value as of that date, as well as the fair rental value covering a period of 5 years.

A careful inspection of the building was made as of May 18, 1943, and it was found that the building had suffered considerable wear and tear during its occupancy by the Army, the building having been occupied by the Army as an office building since April 1942. The carpets in the halls and in many of the rooms have been worn through in spots around the desks, around the doors and the carpets in the halls have been especially put to hard use. The door frames have been nicked and allowed to rust. The walls have been spotted and nicked; the glaze has been worn off the tile in the bathrooms.

To redecorate the building, to repaint the window and screen frames from the exterior, to redecorate and place new tile on the floors of the bathrooms and to put the hotel in the condition that would be required to operate it as a first-class hotel and for it to appear as it did in 1941 and 1942, would require an expenditure, in my opinion, of not less than \$30,415. This does not mean that this would place the hotel in the same shape because there is a natural depreciation that could not be replaced.

It is further my opinion that to put in new carpets which would actually be required to make this hotel appear first class again, would cost \$17,500, that is, the same class of carpets that are now in the hotel. It is not my opinion that an amount to exceed \$3,500 could be secured for the carpets as they now stand in the hotel.

It will be noted that from April 3, 1942, to April 2, 1943, I depreciated the building 9 percent. This is three times normal depreciation under normal hotel usage and was so used for the following reasons which, in my opinion, can be easily understood.

Instead of an average of two persons to the room, at the time of my inspection, there was an approximate average of five persons to the room. Instead of normal passage from one room to another and over the corridors, there was a constant stream of persons. It is not intended to convey the impression that the occupants were unnecessarily rough on either the property or the furnishings for it is not my belief that they were, but it is impossible for that number of persons to occupy any space and not overtax the plumbing, overtax the carpets, and cause considerable damage to the tile floors many times in excess of what normal hotel usage would cause.

Now, as to the rental value—the rental value is fixed entirely on income of this and other hotels similarly situated, less fixed and operating expenses and depreciation, and based on a figure that anyone wanting to rent and operate a hotel could afford to pay and yet show a fair return on his investment, both of time and money.

While plans and specifications are submitted with this appraisal, there have been some slight changes in the construction from the plans. I refer to the fact that in the corner of plan No. 8 it is shown that on floors 4, 6, 8, 9, and 10 sitting rooms are in place of linen closets—this is not correct. Also in the basement, some of the storage rooms have been made into help's room.

EXHIBIT No. 1054

HOTEL NEW YORKER,
Miami Beach, July 14, 1943.

MR. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: With reference to the Hotel New Yorker, of which I am the owner, may I say that this is to confirm that I desire to have a readjustment of the rental on this hotel. The amount being paid to me is inadequate.

I urgently request that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

WILLIAM SPECTOR, President.

EXHIBIT No. 1055

OCEAN GRANDE HOTEL,
Miami Beach, Fla., July 13, 1943.

Mr. GLYNN O. RASCO,

*Executive Manager, Miami Beach Hotel Owners Association,**Miami Beach, Fla.*

DEAR SIR: Referring to the Ocean Grande Hotel, located at Thirty-seventh Street and Collins Avenue, Miami Beach, of which I am the owner, may I say that this is confirmation that I wish to have a readjustment of the rental on this hotel. The amount being paid to me is inadequate.

I strongly request that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

SAM LACHMAN.

Miami Beach Hotel Owners Association (or To Whom It May Concern):

I am advised that some investigation is being conducted by the association with reference to the methods used and statements made at the time the United States of America, through the Army of the United States, took over certain hotels at Miami Beach.

The undersigned Sam Lachman is the owner of the hotel known as the Ocean Grande situated at 100 Thirty-seventh Street, Miami Beach.

I was approached on or about the last day of November 1942 by certain agents of the Government relative to taking over my hotel. I was first approached by Mr. Joe Elsner and then by Mr. John Fraser, both civilian employees working under Lieutenant Colonel Fitch. I was advised by both of these parties that I had better take the deal that was submitted to me by the Army, the first offer being \$15,000 for a year's lease when my actual outlay necessitated better than \$24,000 per year. I refused to accept this first offer and finally I was called into conference with Lieutenant Colonel Fitch at his office on Lincoln Road, Miami Beach, Fla. Colonel Fitch then advised me that if I would not voluntarily lease the hotel to the Army on the terms which he had offered, he could close up the streets so that I could not have ingress and egress for my tenants. Some of the streets had already been blocked up, namely, Ocean Drive, and notwithstanding his threats I refused to accede to his demands at first. Finally when I saw the operation and effect of the Army occupation in other areas, I was convinced that Colonel Fitch would and could do exactly as he stated, namely, block up the streets in front of my place so that I could not use my property.

In addition to this threat and about 7 days before I finally capitulated, a captain of the United States Army and a group of his men, all in uniform, entered my hotel while there were civilian guests in the hotel and without any authorization from me and without any lease being executed or agreed upon, notified the tenants they would have to move out as they, the Army, were taking over the entire building the following Tuesday morning. (This statement was made on a Thursday of a certain week and notification was given that on the next Tuesday the Army would take over.) A number of the guests became frightened and moved out immediately.

Seeing the position I was in and being absolutely helpless under the circumstances, I finally, and against my own wishes and against any voluntary consent, was forced to sign a lease for \$23,600 per year, which was approximately \$1,000 less than the actual outlay which I had to make. My hotel was at that time a profitable business even under the war conditions and I do not consider that the lease offered was reasonable or fair, nor could it have been negotiated in any way if it had not been for the unreasonable threats and duress used, under threat of actual confiscation through the closing up of the streets and interference with my guests. I paid \$225,000 for this hotel in November 1940 and the hotel was reasonably worth more than \$225,000 at the time these negotiations took place.

I solemnly affirm that the facts herein set forth are true.

SAM LACHMAN.

Subscribed and sworn to before me this 8th day of June A. D. 1943.

[SEAL]

GLYNN O. RASCO,

Notary Public, State of Florida at Large.

My commission expires June 16, 1946.

EXHIBIT No. 1056

THE PANCOAST,

Miami Beach, Fla., July 23, 1943.

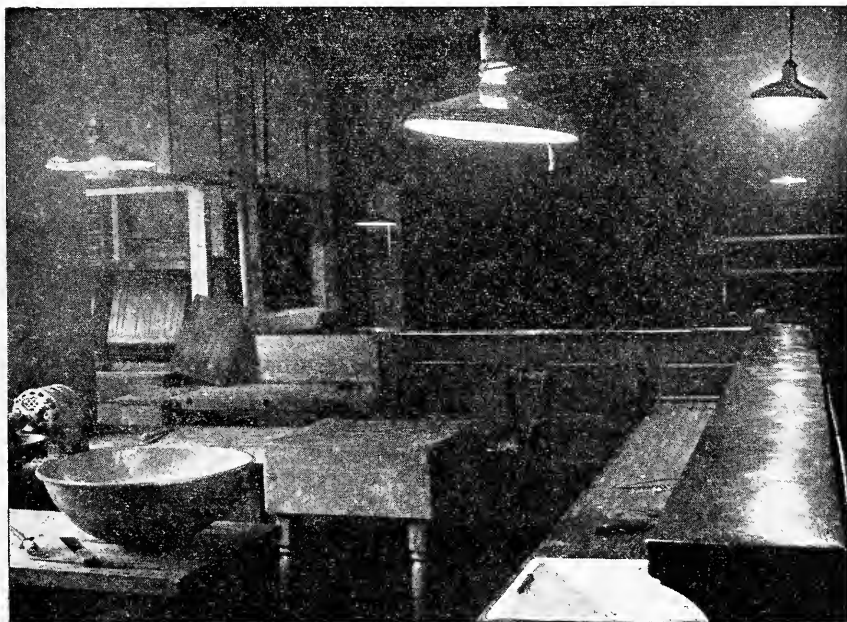
Mr. GLYNN O. RASCO,

*Executive Manager, Miami Beach Hotel Owners Association,**Miami Beach, Fla.*

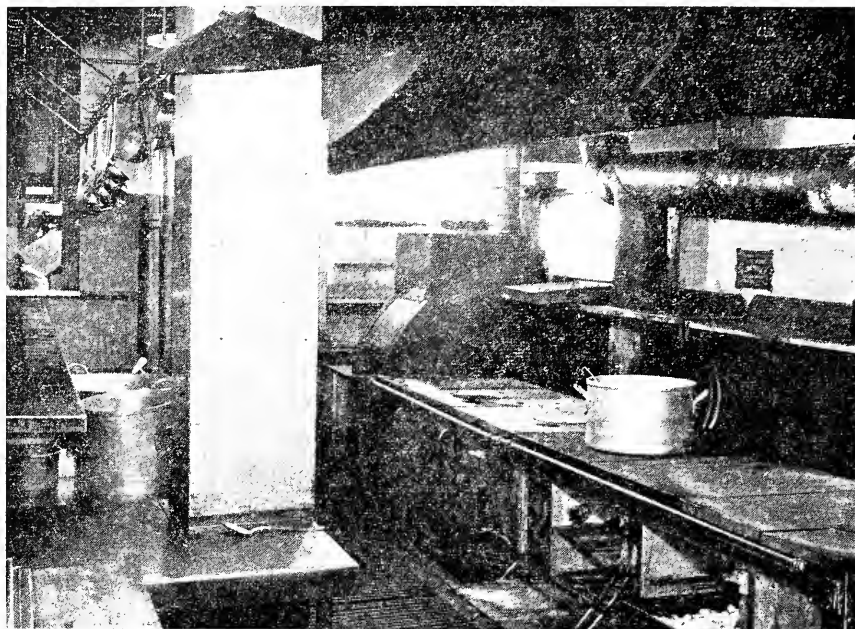
DEAR GLYNN: In case Mr. Halley gets too busy and goes north without having interviewed me, I am enclosing two sets of photographs, one dated December 29, 1942, and the other April 21, 1943, that I think will help the cause. Don't misunderstand me, I am not anxious to be put on the mat, but do want him to get these.

On June 13, 1942, I wrote to my brother, Norman Pancoast, at his Forest Hills Hotel. At that time we were handling officers' training school personnel, operating the hotel ourselves and giving them board and room. We consistently lost money on the board, and the Army was not living up to its promise on the number of guests they were to furnish us. The officers' training school started first with the Shellbourne, the Roney-Plaza, and the Pancoast, and later on Major Drake took in a lot of other and smaller hotels. The Shelbourne had to give up, and we should have immediately followed suit. The Roney, too, was losing money on their dining room as Major Drake would not allow an increase in meal prices in spite of the fact that Captain Ott had told us that if absolutely necessary this could be done. So we were all casting about for some way to dodge this daily loss, and in my letter referred to above to Norman Pancoast, I said in part as follows: "Another scheme that the Roney wanted to put over was to let the Army have the kitchen. I would hate to let them in our very nice kitchen and very nice equipment." Now you understand this was a letter to my brother who operated the hotel all winter and knew exactly what we had, and I wasn't trying to sell him a bill of goods.

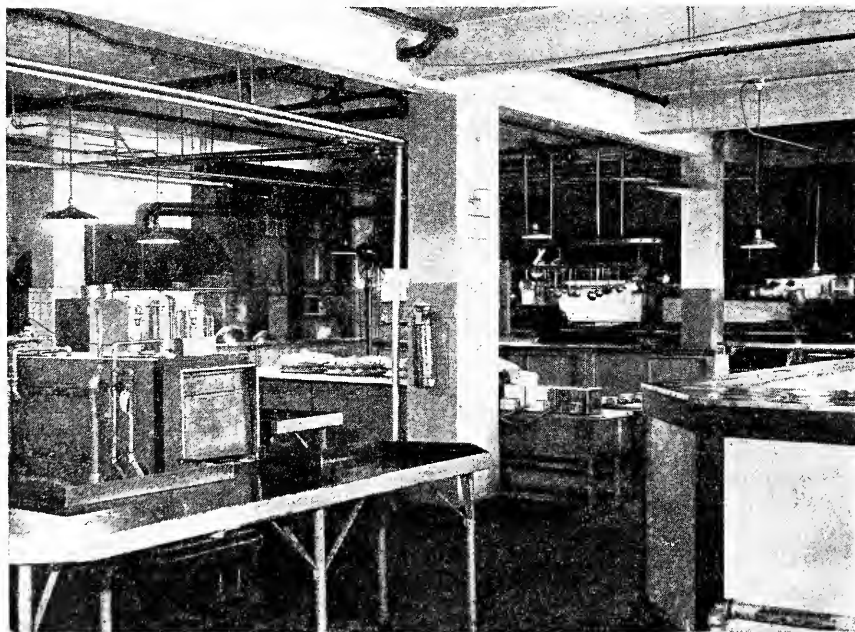
When the Army finally convinced us in November that we better lease to them, or else—and put their own crew in I was surprised and gratified at the number of their men who came to us and said, "This is the finest kitchen we have been in on the beach," or words to that effect.



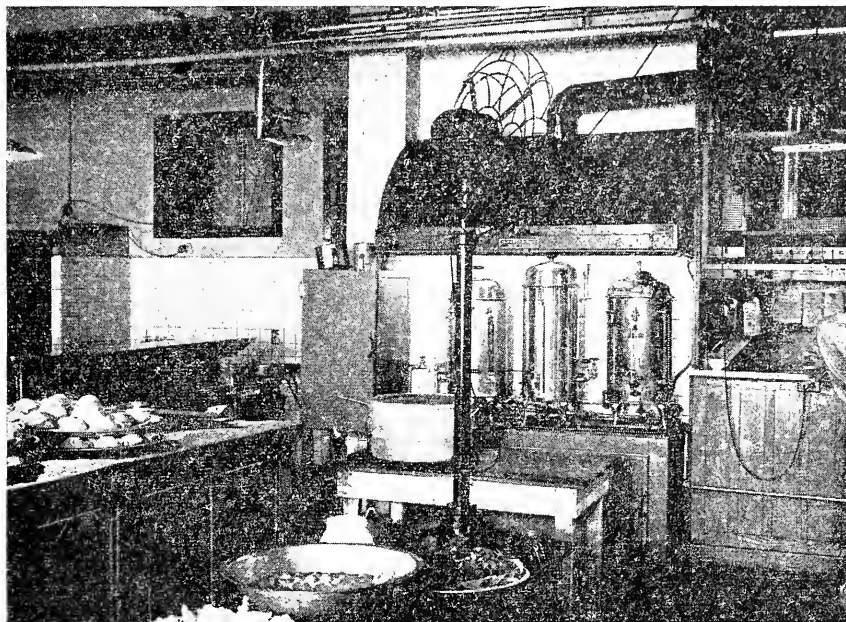
Kitchen Equipment Pancoast Hotel—December 29, 1942.



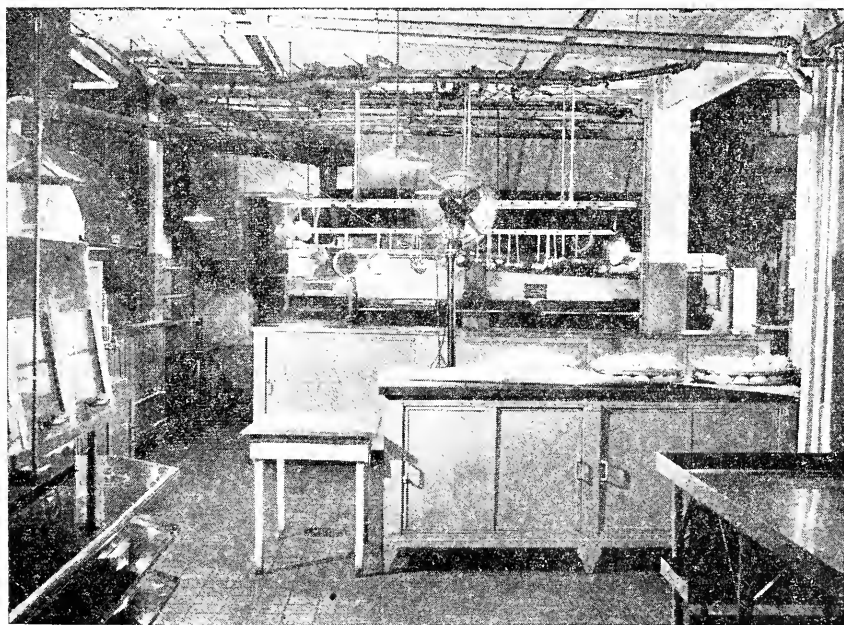
Kitchen Equipment Pancoast Hotel—December 29, 1942.



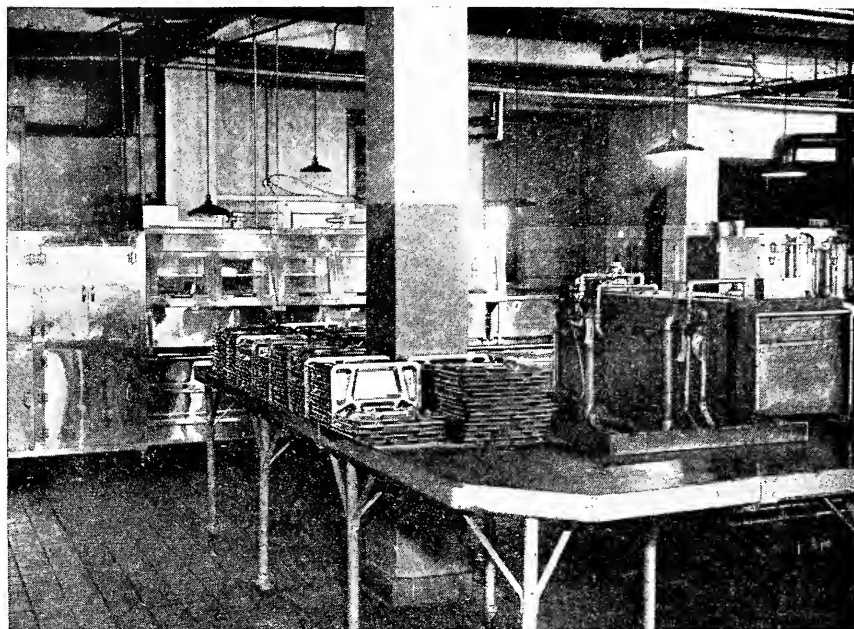
Kitchen Equipment Pancoast Hotel—December 29, 1942



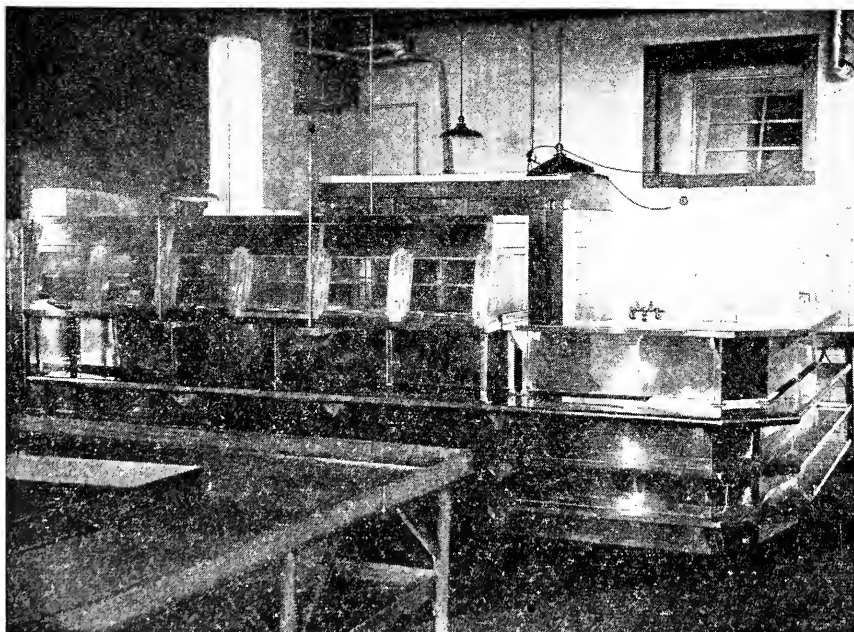
Kitchen Equipment Pancoast Hotel—December 29, 1942.



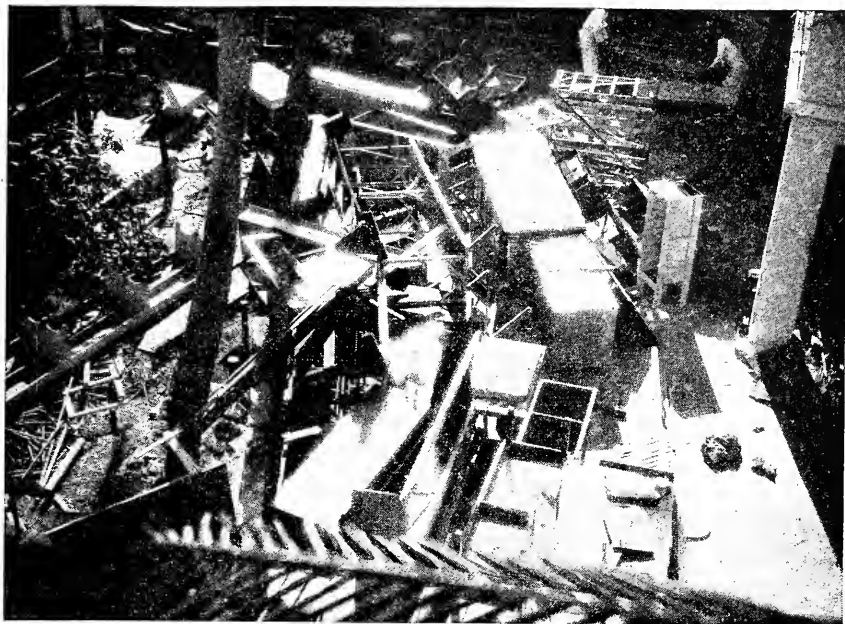
Kitchen Equipment Pancoast Hotel—December 29, 1942.



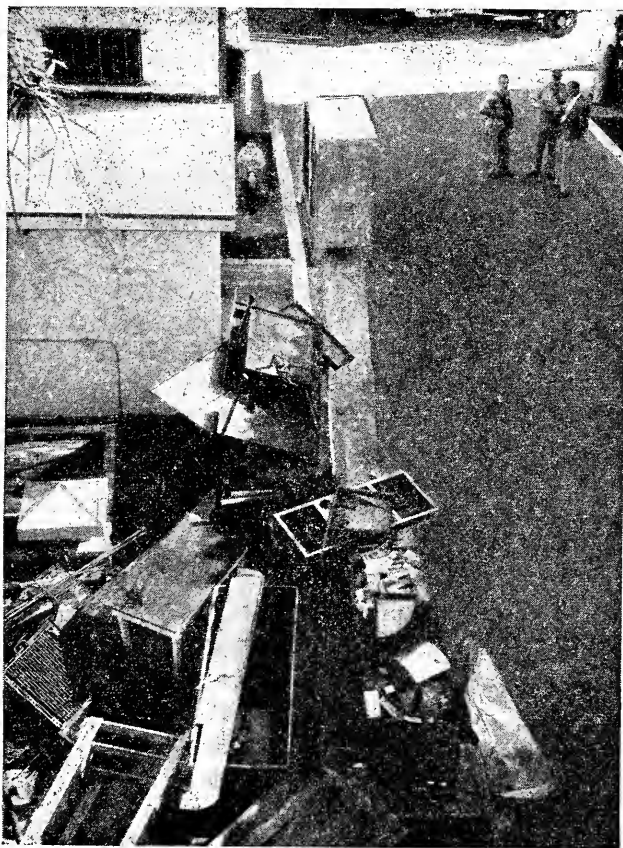
Kitchen Equipment Pancoast Hotel—December 29, 1942.



Kitchen Equipment Pancoast Hotel—December 29, 1942.



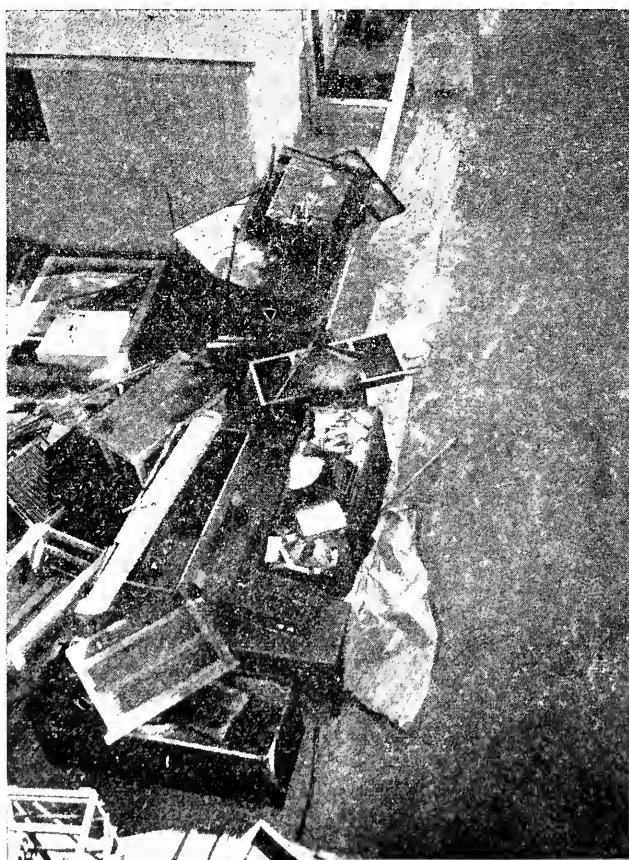
Pancoast Hotel Kitchen Equipment—April 21, 1943.



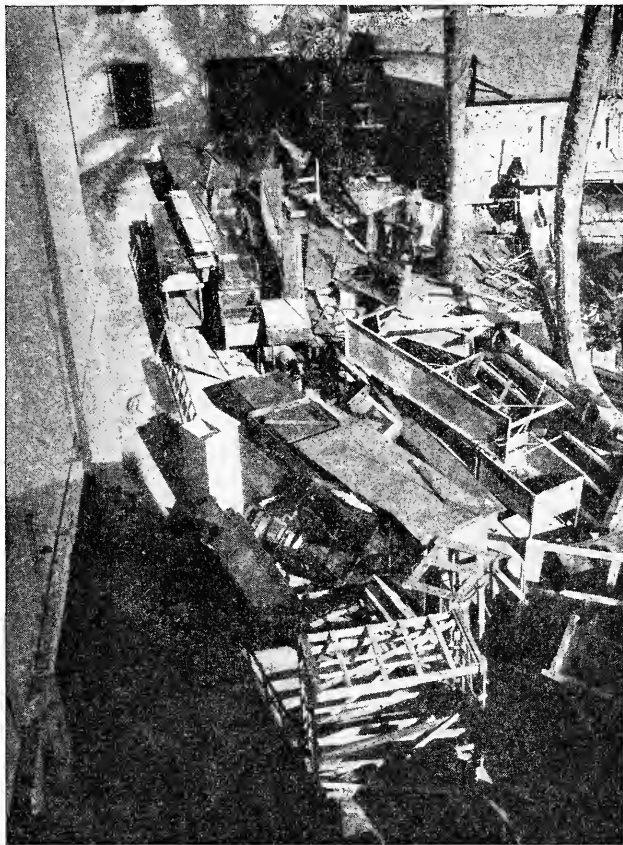
Kitchen Equipment Pancoast Hotel—April 21, 1943.



Pancoast Hotel Kitchen Equipment—April 21, 1943.



Pancoast Hotel Kitchen Equipment—April 21, 1943.



Pancoast Hotel Kitchen Equipment—April 21, 1943.

I commenced to hear stories about the way the hotels were being abused and how unfair Army condition reports were with reference to equipment, so on December 29 as a precautionary measure I had photographs taken of our kitchen set-up. About the 20th of April I received a telephone call at noon from Mr. Arthur Howe, who had been managing the hotel at the time the Army took over, and he said in part that Captain Green (background unknown to the writer) had called him and told him that our kitchen equipment was out in the yard and "come and get it," and that Howe had gone to the hotel and was enraged at the way the Army had abused our equipment and wanted me to come and see it. This I did. After taking one look I left without talking to any of the Army personnel, as I was fearful that I would not be able to control my temper. Not only was my own equipment at stake, but here was an example of a terrible waste of many precious man-hours and scarce metals.

Maj. Robert K. Dixon, the officer then in charge of the hotel, admitted to Mr. Howe that he didn't even know the change in kitchen equipment was to be made until it was under way, as Captain Green was in charge of the hospital mess. I located him on the phone and remonstrated with him. He stated that our equipment was nothing but junk, anyway. I told him it was not junk until he had ordered it made into junk by throwing it out into the yard. He replied, "Oh, well, it's no skin off my — anyhow." Further, that I had better get it at once, or he would have it sent away as junk. I told him I would not touch a piece of it or assume any responsibility for it but expected the Army to replace it as it was when I got the hotel back.

The following day Mr. Howe, Captain Green, and Leonard H. Sacks (employee of Maxwell Co., Inc., a local firm who make their living by selling equipment to hotels) from the post engineers' office, met at the hotel, and Mr. Howe was giving them an unabridged edition of his feelings about such actions. Maj. C. F. Harding, then in charge of post engineers, was there, and though he took little part in the conversation, he heard it. The next day I contacted Major Harding on the phone and asked him for a date, stated that I guessed we had a small war of our own on, and wanted to come down and talk to him about it. He was exceedingly courteous, said that the damage had been done, and that there was no use fighting about it now—that he had overheard the conversation between Mr. Howe, Captain Green, and Mr. Sacks. He didn't blame Mr. Howe for anything he had said; in fact, was surprised his remarks weren't rougher.

Since Major Harding felt the way he did, I saw no reason to take up his time with another interview and dropped the matter with a letter to Maj. Robert K. Dixon, in charge of the hotel, a copy of which is enclosed. I am also enclosing a copy of Major Dixon's reply.

I have gone into a great deal of length and detail on this situation, feeling that it may be a little different testimony from the many complaints Mr. Halley has received. I don't wish to make it appear out of proportion to the other complaints, but any other criticism that I might make of this whole housing project would parallel and duplicate a great deal that you already have.

Yours very truly,

THE PANCOAST HOTEL CO.,
J. ARTHUR PANCOAST,
President.

P. S.—By the way, the Army took possession of our property as of November 12, and at this writing, July 23, we have not received one penny of rent. Fortunately, our credit was good enough to permit us to borrow money to keep going on, and have, in fact, had to pay out \$1,439.93 interest pending receipt of rental payments.

J. A. P.

APRIL 21, 1943.

Maj. R. H. DIXON,
*Officer in Charge, Pancoast Hotel Hospital,
Miami Beach, Fla.,*

DEAR MAJOR: Upon being notified yesterday at 1:30 p. m. that our kitchen equipment was out in the yard and that we were requested to remove it at once, I made an inspection and found that in fact the equipment was in the yard with very little effort having been made to keep this equipment in good condition. In fact, much of it is pretty badly broken and bent in handling.

We take the attitude that this equipment was leased to the Government with the understanding that after they have no further use for it and the building, that they agree to return it to us in the condition in which they received it, and, therefore, we do not wish to assume any responsibility for the equipment until it is wholly ours again to use.

However, we are very glad to help you with your problem of storage and if there is any space in the building that has been reserved to us for storage purposes that is not too full to handle some of this equipment, we shall be glad to share that space with you, and I am instructing Mr. Arthur W. Howe to confer with you on this and make any arrangements that he can to assist you in this problem of storage.

Though I have no authority, I would recommend that this equipment now be cleaned, the rust taken off, and it then be thoroughly greased before storing. Some of this I understand has been out in the weather for the past several weeks.

Yesterday morning before I knew about the treatment our equipment was receiving, I authorized Captain Green to remove one Monel metal and glass refrigerated case. Since the balance of the equipment has been so mistreated, I have called him today and withdrawn that permission, and simply want to restate what I have said, that if it is removed it will be entirely at the Army responsibility, as we shall expect it back in as good condition as they received it.

Cordially yours,

J. ARTHUR PANCOAST, *President.*

HEADQUARTERS, MIAMI BEACH TRAINING BASE,
ARMY AIR FORCE TECHNICAL TRAINING COMMAND,
OFFICE OF THE SURGEON,
Miami Beach, Fla., April 26, 1943.

Mr. J. ARTHUR PANCOAST,
Miami Beach, Fla.

DEAR MR. PANCOAST: This is to acknowledge receipt of your letter of April 21, 1943, relative to kitchen equipment which has been removed from the Pancoast Hotel.

In accordance with our conversation with your manager, Mr. Arthur W. Howe, this equipment has all been stored in space reserved by you for that purpose in the basement of the building. The responsibility for this equipment rests with the post engineers under the direction of Maj. C. F. Harding. Major Harding has assured me that the metal and glass refrigerated case referred to in the last paragraph of your letter is to be left in its present position in the kitchen.

I wish to thank you for the cooperation that you have so generously extended in the past.

Sincerely,

ROBERT K. DIXON,
*Major, Medical Corps,
Executive Officer, Unit No. 4.*

MIAMI BEACH HOTEL OWNERS ASSOCIATION,
Miami Beach, Fla., July 31, 1943.

Mr. RUDOLPH HALLEY,
*Assistant General Counsel, Truman Committee,
Washington, D. C.*

DEAR MR. HALLEY: Enclosed is a letter from Mr. Pancoast setting up the method that Mr. Wilson used as one of the appraisers for the Army at the time the Army took over; also a copy of a supplemental agreement which the Army entered into with Mr. Turchin, it being one of their claims that a supplemental agreement would not be negotiated by the Army; and also 10 or 12 letters giving an over-all picture of the settlements made by the project office here.

The question in your mind at the time you were here was that the Army might pay sufficient moneys in the settlement to take care of any inequities in rentals. This they have not done.

In a conference with Major Mays, of the post engineers, and Mr. Frazure, of the project office, on Thursday morning, July 29, I asked them if the Army had paid any additional moneys for inequities of rent and if it was possible for them to do so. They both advised that they did not have the authority to do it and had not done it in any case and would not do it in any future case, and took the same stand that Colonel O'Brien did—that is, that the Army could not renegotiate any lease unless it was to the benefit of the Army regardless of how much injury it might do to the owner.

As to the Regal Hotel, which was discussed Saturday afternoon when we were at the Cabana, you asked me to make an investigation to determine just what the owner was paid. I have had Mr. Roy F. France break this down to show you just how it was allocated, which definitely shows that the owner did not receive what he should have received and it certainly was not \$200 per room for restoration as a good bit of it was for carpets which would cover public space.

Mr. France is an architect who has just completed a \$5,000,000 contract for the Government and I do not think his figures can be questioned.

You will note that there is a letter from Mr. Davis on the Halcyon Hotel which must be taken as authoritative as his background is that he has worked a great deal for the Government and was one of the builders and architects on Muscle Shoals and in addition has built several of the larger hotels here in this vicinity.

If there is any further information that you wish, please do not hesitate to call upon me. If you need any more letters of this nature, I can get any number of them, but did not wish to burden you with too many.

With kindest personal regards to you and to Mrs. Halley,
Very truly yours,

GLYNN O. RASCO,
Executive Manager.

THE PANCOAST,
Miami Beach, Fla., July 24, 1943.

Mr. GLYNN O. RASCO,
Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR GLYNN: I thought you might be interested in a paragraph of a letter I just received from Walter B. Wilson, which reads:

"Thank you for your letter. It will be a pleasure to recommend membership in the Miami Beach Hotel Association to every hotel owner here with whom I have contact. You have certainly rendered a great service to hotel and apartment-house owners whose properties have been taken over by the Air Corps. I was one of the group of realtors who appraised property in which the Air Corps was interested in February of last year, and the appraisal group was told to use 10 percent as the rate of depreciation on furniture and furnishings. This was the prevailing rate of depreciation at that time and was based on the return of the property and contents in the same condition as when taken, 'ordinary wear and tear excepted.' At that time it was not known that the Air Corps was going to ameliorate that clause by adding the words 'considering the purpose for which taken—military.' Had that been known the depreciation rate would have been more than double."

Yours very truly,

J. ARTHUR PANCOAST, *President.*

THE PANCOAST,
Miami Beach, Fla., January 8, 1944.

The TRUMAN COMMITTEE,
Washington, D. C.

(Attention of Mr. Rudolph Halley, assistant counsel for the Truman committee.)

DEAR SIR: Having sat in on the hearings regarding the Miami Beach hotel situation to date and realizing the pressure that the Senators are working under, feel it best to reduce any testimony I might make, to writing this letter, which can be perused at any convenient time by the Senators without taking up public hearing time.

I hesitate to bring up the question of newspaper articles, as they have been given a lot of time, but I am enclosing a tear sheet from the Miami Daily News, December 21, 1943, which seems to me to indicate that Army personnel are still using the old familiar blackjack of the newspapers to make citizenry bow to their wishes, and the tactical strategy of "war on nerves" can be used on the home front as well as any other front. I refer particularly to the second paragraph of the clipping.

As in the original article about the hotelmen who "refuse to cooperate with the Government in their housing problems here," I think a careful investigation of the case cited in the balance of this article will prove that the facts are not any better founded this time than they were before. I am also enclosing two additional clippings which appeared shortly after the first-mentioned one. These show that some of the saner heads in the Army command here realized the inadvisability of such publicity, and Brig. Gen. Arnold N. Krogstad hastens to do what he can to correct this article.

During the testimony Friday evening, the Army personnel in explaining their methods of arriving at compensation that should be paid for hotels, mentioned that after appraisals were received they were not used entirely, but from these appraisal values the Army arbitrarily deducted a figure supposed to represent the value of the hotel furnishings that the Army did not use. I contend, first, that this is entirely unfair because the Army deprived the owner of the use of this furniture; secondly, the furniture was, at least, a temporary liability to the owner because he had to store it. In our case, the Pancoast Hotel, we pay more per cubic foot for storage than the Army is paying rent for a luxurious hotel; thirdly, depreciation on furniture so stored goes on at an accelerated pace without compensation.

Another side light, a subject which took up considerable time of the testimony, namely, how many feet were originally supposed to be allocated to a soldier in the hotels rented. The first yardstick we were given so that we might estimate approximate revenue the hotel would receive from the Government was not on the

basis of square feet but cubic feet. Later, the cubic foot idea was dropped and square feet only were talked. This was undoubtedly the only thing the Army could talk, though they first told the hotelmen the rooms would only hold a certain number of men, because the cubeage was so much. For when they actually commenced to use these buildings, they doubled or trebled this theoretical occupancy, and naturally cubic footage compensation was too quickly proved a hallucination. So much for general remarks.

Now, for our own situation at the Pancoast Hotel. On July 23, 1943, I wrote a letter to Mr. Glynn O. Rasco, executive secretary of the Miami Beach Hotel Owners Association, a copy of which, I believe, was turned over to you for reference to the Truman committee, together with pictures substantiating our story about kitchen equipment. I am now enclosing a copy of my letter of April 21, 1943, to Maj. R. H. Dixon, officer in charge of the Pancoast Hotel Hospital bearing on the same subject.

DATA ON THE LEASE OF THE PANCOAST

This building has an appraised value of \$845,000 as of October 12, 1942, according to the appraisal made by E. D. Keefer, M. A. I., a copy of which appraisal was loaned to the real estate procurement office of Miami Beach.

Our lease with the Government calls for an annual rental of \$80,500 and excludes from Army use one drug store and four small shops on Collins Avenue.

This lease was dated November 12, 1942.

Condition report worked up by the lessee is dated April 9, 1943. Copy of our comments on this condition report as written to the post engineer in charge, dated July 23, is also enclosed.

Our first rent was received 9 months and 1 day after signing the lease, in spite of repeated efforts on our part to obtain at least partial payments on a property worth nearly a million dollars, possession of which was in the hands of the Government.

Contrary to our understanding, we were given no opportunity to accompany the Army personnel when this condition report was worked up. Great pressure was brought on us to vacate the building within 3 days, yet after exerting our best efforts to comply with this request, no use was made of the property for several weeks. About 40 men were quartered in the servants' quarters, but the main building was simply used as a place for them to put in time. At first little effort was made to take care of the property properly, until one day the writer noticed a crew of colored men had been hired to scrub the front porch.

At the time we made the lease we asked that our kitchen equipment be excluded, but the Army insisted that most of it be left for their use. In less than 6 months it met the fate shown in the second set of photographs referred to above.

At the time of occupancy we were first told that no carpets were wanted. Then, the Army insisted that they remain in, so in an effort to comply with the Medical Corps' desires, we went out and bought cheaper carpets and installed them, knowing that our own expensive carpets would soon be ruined if they remained in the hotel which was going to be devoted to hospital use. After a few months we were ordered to remove practically all carpets.

Arrangements were made with Colonel Fitch to reserve certain storage areas for our own use. These were left under padlocks and the padlocks repeatedly broken and contents of these storage spaces searched through and used as the breakers desired. We had to supply three new padlocks for one particular closet. Yet, we were told that we had no redress, that they took no responsibility for goods in these closets as there was a guard on the street and that our goods received the same protection that their goods did.

Bruno Weil in testifying for the hotel association made a statement that I would like to take exception to because we feel that the situation at the Pancoast Hotel does not parallel that of most of the other hotels that were Army occupied. He stated that none of the hotels at the beach would ask for compensation of loss of good will. We feel, however, that since this hotel was used for a hospital that we have a good and just claim for loss of good will. The Medical Department chose for their needs the Nautilus Hotel, the King Cole, The Towers, and the Gulfstream Apartments adjoining, and the Pancoast. These were all luxury-type hotels, with the very finest clientele, and equipment to justify this clientele. The Medical Department wisely chose to purchase the Nautilus Hotel. The others are simply on a leased basis.

The Pancoast Hotel has been operated successfully for 19 seasons and jealously built up one of the best reputations for resort hotel accommodations in the United States. One of the methods used was a continued comprehensive advertising program in which we have invested over \$268,000. After the first few years a large part of our advertising was what might be termed institutional advertising, and used solely for the purpose of strengthening and abetting the good will that existed toward the Pancoast. During the 10 years ending in April 1942 our average appropriation was over \$17,000 yearly. We feel that use of this type of hotel as a hospital absolutely eliminates the possibility of the Government's returning it to us in as good condition as they found it, no matter how hard they might try, and assuming full compensation will be received for physical damage, this other loss cannot be shrugged off. For the psychological effect of this hotel having been used as a hospital will be all that is necessary to make us lose a great part of our former clientele, and prospective guests will not even consider stopping with us for they will place us under the stigma of an ex hospital. We all know that hospital odors will linger for years in the plastering and floors. Imagination alone, though, will be enough and rather than lie in bed and wonder what unfortunate soldier might have passed away in this bed, and in this room, and what agonies did he go through, another hotel will be sought for a vacation spot.

The Congressional Record that was quoted during some of the hearings here regarding the purchase of the Greenbrier seems to the writer to point to the only just road out for the Government.

This I had hoped to give in the form of testimony before the Truman committee, and should the committee so desire, I would be willing to make an affidavit to the facts stated.

Very truly yours,

J. ARTHUR PANCOAST, *President.*

EVICCTIONS MAY LEAD ARMY TO TAKE BEACH—MILITARY ACTION HINTED AS OUSTER OF 300 GIRL WORKERS IS THREATENED

Threatened eviction of 300 key girl civilian workers from apartments at Miami Beach January 1 has posed such a grave problem that the matter has been referred to Washington for solution, a Miami Beach military spokesman said Tuesday.

"We can't predict what Washington will do," he said, "but it may be recalled that at the beginning of the war there was some talk of declaring Miami Beach a military reservation and excluding civilians altogether, landlords, tourists, and everybody. We don't say this will be done, but it could be done."

Threatened evictions, it was indicated, might be based on breach of contract or agreement, "because hundreds of the girl civilian workers have doubled, tripled, or quadrupled up in apartments." Another legal cause for eviction might be inability on the part of the Government workers to pay seasonal rentals where permission to charge such rents has been granted by Office of Price Administration.

"There's no use talking of Office of Price Administration," the military official declared. "In order for Office of Price Administration to work properly there must be good will. There are many legal ways to evict a tenant. What we're concerned with is keeping our key civilian workers here to do a war job."

He then referred to charges of indifference on the part of Miami residents to housing conditions here, which were made by Philip Wylie in exclusive Sunday columns written for the Miami Daily News, adding that "Wylie is 100 percent right in spades."

"Houses are available, or de luxe apartments," he went on, "but the prices for them are out of sight. There aren't any vacancies here in the low-price brackets."

Miami Beach officials and landlords meanwhile expressed surprise at the Army spokesman's charges, claiming that Miami Beach "has cooperated with the military in every way possible."

They added the suggestion that "since there are many unused accommodations in Army leased buildings, which will accommodate several times the 300 civil-service workers they want to house, why doesn't the Army let them use that space?"

The Army at Miami Beach is reported to have leases covering more than 13,000 hotel rooms and a number of apartment buildings.

Denying that there are many vacancies among high-priced de luxe apartments, a city official said that "of 2,000 apartment units just surveyed all over Miami Beach, only 8 vacancies were found at any price." There are some 10,000

apartment units available for civilian use in the Miami Beach area, it was explained.

For Office of Price Administration, Laurence A. Schroeder, area rent director, said:

"Office of Price Administration can't help shortage of accommodations, nor can we help it if, after qualifying for seasonal rents, a landlord is entitled to charge seasonal rates by Office of Price Administration regulations. We can't force him to rent his apartments for less.

"As to the need for good will, that applies to both landlord and tenant. Understanding is necessary on both sides," he added.

Speaking of evictions referred to by the Army, Schroeder said:

"We haven't had copies of evictions come to our office in such wholesale numbers yet. This doesn't mean there aren't any evictions such as the Army speaks of. It may merely mean the eviction processes haven't gone that far legally yet."

Explaining eviction procedure based on breach of lease due to increased tenancy over and above the number called for in a rent agreement, Schroeder said the landlord must first give the tenant notice in writing of what the landlord considers the breach.

"Then the tenant must be granted a reasonable opportunity to cure such conditions as constitute the breach," he said. "If the tenant disregards the notice, the landlord must then give a second notice stating he expects the tenant to move at the expiration of 10 days."

If the tenant refuses to move, Schroeder said, the landlord may then take the matter to court, where the tenant still has an opportunity to defend himself against the landlord's charges before an actual eviction can take place.

"This procedure doesn't apply to all grounds for eviction, but it does apply to breach of lease through increase of tenants above the number allowed in the lease," Schroeder pointed out.

The Army charges Tuesday followed eviction Monday of a family of 5, including 2 children, from an apartment to the sidewalk because, after 14 months occupancy, the owner of the Coroneda Apartments, 1245 Pennsylvania Avenue, Miami Beach, wanted the rooms for himself.

Peter Di Cesare, evicted tenant, who operates a tailoring concession in the Twentieth Street Army Post Exchange, late Monday found a van to haul the family trunks and bundles to a storage warehouse.

He said Tuesday that two women in the neighborhood offered the family lodging for the night "and we spent the night in a guest room offered by Mrs. D. Fredeman at 1137 Pennsylvania Avenue."

Di Cesare added that he and his wife "walked around Miami Beach until 11 p. m. hunting either a hotel or apartment vacancy, but could find neither."

"Mrs. Fredeman will let us stay with her until Wednesday night," he said. "We'll just have to find a place by then."

HOTEL PANCOAST,
Miami Beach, Fla., July 23, 1943.

POST ENGINEER,

Miami Beach.

GENTLEMEN: We are returning to you herewith one signed copy of the statement of condition of the Pancoast Hotel and Lodge as prepared by your office.

We are signing this copy simply to comply with your request that such be done, but under no circumstances as an acknowledgment that this is a true statement of condition of the Pancoast Hotel and Lodge at the time the Army took possession, and we request that this letter be filed with our condition report—in fact, as part thereof.

We object to the reports as a proper statement of condition in that it is misleading and, in many instances, creating the false impression of a very run-down condition of the buildings and equipment. Furthermore, criticisms such as "marred, rusty, plaster cracks, etc.," are not qualified as to extent, nor any indication given as to whether they do in fact affect the life or use of the things in question. In many instances the report is actually contrary to fact.

Another thing that should be taken into consideration in interpreting this condition report is that though the Army occupied the hotel beginning November 12, this condition report was not made immediately, but made from time to time starting November 19 and ending April 7, 1943. This is almost 5 months after the premises had been under Army control, and not a true statement of condition as of November 12, 1942.

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Also photographs were taken at various times to substantiate conditions which were criticized in the report. Some of these were taken as late as March 26 and April 2, 1943, and for this reason often do not reflect conditions as found by the Army at the time of its coming into possession of the property.

Furthermore, the owner was not given an opportunity to join in making this report or the inspections on which it is based.

Yours very truly,

J. ARTHUR PANCOAST, *President.*

EXHIBIT No. 1057

MIAMI BEACH, FLA., July 15, 1943.

Re Plymouth Hotel.

Mr. GLYNN OWEN RASCO,

Miami Beach Hotel Owners Association, Miami Beach, Fla.

DEAR MR. RASCO: With reference to the Plymouth Hotel, which I am owner, may I say that this is to confirm that I desire to have a readjustment of rental on my hotel. The amount being paid to me is inadequate.

I urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

ATLANTIC PARK CORPORATION,
SAMUEL J. KATZ, *President.*

JULY 30, 1943.

Re Plymouth Hotel.

Mr. GLYNN O. RASCO,

*Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.*

DEAR MR. RASCO: This letter is in reference to articles removed from the storage closets, which I was given permission to use in the Plymouth Hotel, which is now leased to the Army.

On or about March 15, 1942, I signed a contract between the United States of America and the Atlantic Park Corporation, owners of the Plymouth Hotel, and of which I am president, leasing the hotel for Army use. At that time permission was granted by Lieutenant Tally for me to use certain space in the hotel to store hotel equipment, not needed by the Army, and certain personal items, as follows:

1 fur coat (grey kidskin, 2 years old) cost_____	\$350
1 fur jacket (skunk, 2 years old) cost_____	150
1 coat, ladies' camel's hair, 6 months old_____	22
4 bathrobes, French flannel, 1 year old_____	64
1 trunk, camp, filled with linens, new_____	350
1 dress suit, man's 5 months old_____	75
Assorted liquors and champagne_____	200
1 trunk, hand wardrobe_____	32
75 Victrola records_____	35

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Between July and August 1942, Mrs. Katz went to the Plymouth Hotel to secure one of her coats which was stored in the fourth-floor closet, under lock and key, and found this closet completely empty of contents which had been stored there, and the door was found open.

No complaint was registered although the lieutenant in charge notified headquarters regarding the above.

On July 14, 1943, I visited the hotel to remove some personal belongings from the closet on the second floor, next to the elevator. I was accompanied by Lieutenant Cannon. I found the closet ransacked. The following items were missing:

15 dozen turkish towels, new with name woven in, cost \$5.60 per dozen_____	\$84
5 cases Palmolive soap, 1-ounce size, 1,000 cakes per case, \$9 per case_____	45
2 large copper spray guns, \$2.50 each_____	5

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As you will note from the above, some of the missing items were new. Some of the wearing apparel was not new, but had been well taken care of, and I feel that any depreciation is eliminated by the very sharp advance in replacement cost since their purchase.

Your courtesy in assisting in this matter will be very much appreciated.

Very truly yours,

SAMUEL J. KATZ.

STATE OF FLORIDA,
County of Dade:

On this day personally appeared before me, a notary public, Samuel J. Katz, who after first being duly sworn deposes and says:

I am president of the corporation that owns the Plymouth Hotel which has 81 rooms, and was built at a cost of \$213,000 and was one season old at the time the Army leased the property for \$19,500.

On March 2, 1942, Lieutenant Tally and Messrs. Bryan Hanks and John Duff came to me, wanting to rent my hotel. There had been no hotels taken over at this time. However, they had 500 men that they must find quarters for immediately.

I advised the gentlemen that my hotel was 100 percent full and I wished to get additional revenue to take care of my mortgage obligations that were past due; and that the Collins Plaza and the Mayfair were only 25 percent full, and suggested that they lease those particular hotels and let me continue to operate my hotel so I could pay the mortgage obligations that were past due. Mr. Duff then made the statement: "To hell with the mortgagors."

At a later date, I contacted Mr. Hollander, the attorney of Nathan Strauss, who had handled the deal with the Army on the Terrace Restaurant. He made an appointment with Lieutenant Tally to discuss terms of a lease with the Government.

Sixteen thousand dollars was offered, which I could not accept, but after dealing with the Government for 2 or 3 days, \$19,500 was finally decided upon. The lease was signed and included the carpets and all equipment.

There was an additional \$3,000 which was allowed for linens, refunds to season guests, and a part of the rental. Approximately 3 months later Colonel Fitch called and advised that the \$3,000 deal I had made with Lieutenant Tally had been turned down in Washington in that Lieutenant Tally did not have the right to make such a contract with me. I then advised Colonel Fitch of the nature of the \$3,000 deal and that it included losses suffered by the refunding of money to the seasonal guests, that it included the linens and also part of the rental. Colonel Fitch refused to pay the \$3,000 and offered me \$535 for my claim, and said, "Take it or leave it. We will be glad to cancel the lease as we can get other hotels much cheaper." I was placed in a position where I had to cooperate. There was nothing more I could do as the carpets at this time in the building were completely ruined and there was no one else I could appeal to.

SAMUEL J. KATZ.

Sworn and subscribed to before me on this the 4th day of June A. D. 1943.

[SEAL]

GLYNN O. RASCO,
Notary Public.

EXHIBIT No. 1058

JULY 14, 1943.

Re Regent Hotel; Poincianna Hotel.

Mr. GLYNN O. RASCO,

Executive Manager, Miami Beach Hotel Owners' Association,
Miami Beach, Fla.

DEAR MR. RASCO: With reference to the two hotels above-named, of which I am the owner, may I say that this is to confirm that I desire to have a readjustment of rental on these hotels. The amounts being paid to me are inadequate.

I urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

HARRY W. MILLER.

STATE OF FLORIDA,
County of Dade:

On this day personally appeared before me, a notary public, Harry A. Miller, who after first being duly sworn, deposes and says:

My name is Harry A. Miller, and I am part owner of the Poinciana Hotel, 1555 Collins Avenue, Miami Beach, Fla. This hotel is a seven-story fireproof build-

ing, consisting of 100 hotel rooms and 100 baths, lobby, lounge, and card rooms, dining room, kitchen, bake shop and other public spaces.

About the first part of April 1942 the United States Government notified Louis Miller and myself that they were desirous of leasing the hotel. We were called to the Cromwell Hotel, Miami Beach, the Army real-estate headquarters, to enter into negotiations for leasing the hotel to the United States Government.

The writer went there, and after waiting for some time, Mr. Baron Meyer informed me that the Government needed our hotel immediately as a great number of troops were coming (approximately 100,000)—that the Government needed the room and therefore I must lease the hotel at once.

I advised him our hotel was under lease, and we were not the operators and before we could make a deal with the Government we would have to consult our lessee and work something out with them so we could deal with the Government.

Mr. Meyer said that we should work fast as the Government wanted the hotel and would not wait for it. I said I would do everything in my power to cooperate and that I would see if our lessee would not give up the hotel so we could lease it to the Government.

I asked how much the Government would pay. Mr. Myer looked through some papers and said "We have the Poinciana down for \$32,000." I said that that was out of line, and that I could not accept that price as it was too low and that our livelihood depended upon the income from that hotel. I told him that it was considerably lower than our lessee was paying. I told Mr. Myers that we must have the same as our lessee was paying, \$38,865, as he had a very cheap lease.

Mr. Myers then told us that \$32,000 was the amount decided upon and it was the best the Government would pay, and that we should be thankful in being able to get \$32,000 rental at these times. He said "It is better than nothing. I advise you to take it. Should the Government not lease your hotel, and lease the hotels on each side of the Poinciana, your hotel would then be isolated and worthless, and you would not be able to operate with troops all over the area. You would then be out in the cold. You had better make up your mind now."

I advised Mr. Myer I would take the matter up with our lessees. After Mr. Myer left me, I met Mr. Marcy Liberman, who also negotiated leases for the Government, and he told me the same story.

I then called Mr. Stanley Myers, attorney in the Seybold Building, Miami, and engaged him to see what he could do.

In a few days he informed us he could get us \$33,850, which was \$1,850 more and that that was the best he could do. He advised us to accept this, and said that the Army wanted the hotel by April 15, 1942.

Having no alternative, we then proceeded to negotiate with our lessee, who agreed to give up the hotel providing we do the following:

Refund the security on the lease, which amounted to \$38,600, at the rate of \$600 per month.

Allow them \$6,500 for the loss of summer business from April 15 to October 15.

We had to agree to the above in order to give the Government the hotel, and entered into an agreement further allowing them to cancel their 7-year lease after 2 years' occupancy by the Government at our lessees' option. We then gave the Government an option for the 15th of April to take possession. The guests were made to vacate and the hotel made ready for military occupancy before April 15.

On May 23 or about that time, 38 days later, the Government moved in. The lease was drawn and was dated May 23. I asked why the lease was not dated April 15 and was told that leases are dated from date of occupancy. This difference from April 15 to May 23 made us lose 38 days' rental, at \$94 per day, or \$3,572, on a basis of \$33,850 per year.

We have suffered a total loss to date, the difference between our former lease and the Government lease up to January 1, 1944:

According to our former lease:

Apr. 15 to May 23, 1942, 38 days, at \$106.48 per day	-----	\$4,046.24
May 23 to June 1, 1942, 7 days, at \$106.48	-----	745.36
June 1, 1942, to June 1, 1943, 1 year	-----	38,865.00
June 1 to Dec. 31, 1943, 7 months	-----	22,626.90

Total----- \$66,283.50

Government paid \$33,850:

May 23 to June 1, 1942, 7 days, at \$94-----	\$658. 00
June 1, 1942, to June 1, 1943, 1 year-----	33, 850. 00
Jan. 1 to Dec. 31, 1943-----	19, 740. 00
	<hr/> \$54, 248. 00
Difference to Dec. 31, 1943-----	12, 035. 00

During the time inventory was taken items such as silver sugar bowls, silver bread trays, soup cups, electric toasters, and other numerous items were not required by the Army. We were given permission to use one of the locker rooms to keep these items in.

A short time after I decided to remove these things to a warehouse in Miami and hired a truck to remove same. Upon opening the locker most all of the silverware was gone, also a large toastmaster, pots, and pans.

We wrote, and then saw Colonel Fitch about our loss, which amounted to over \$600, and he said there was nothing he could do about it.

We submit the above as evidence for your consideration.

HARRY A. MILLER.

Subscribed and sworn to before me this 4th day of January 1944.

[SEAL]

GLYNN O. RASCO, *Notary Public.*

My commission expires July 16, 1946.

EXHIBIT No. 1059

RALEIGH HOTEL, INC.,
Miami Beach, Fla., July 12, 1943.

GLYNN O. RASCO,

*Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.*

DEAR MR. RASCO: In view of the discussions now under way relative to a possible adjustment of rentals paid by the United States Army for hotels leased to them on Miami Beach, I feel this is an appropriate time to give expression to the opinion of the directors and stockholders of this company.

We feel very definitely that the rental fixed for our hotel, that is, the Raleigh Hotel, is insufficient and does not represent a fair return on the investment, giving due consideration to the element of fixed charges and depreciation resulting from normal wear and tear.

We would be glad to submit concrete facts as to investment and fixed charges to substantiate this contention.

We would also like to express at this time our opinion that an impartial committee should be appointed to consider a revision of rental payments, as well as other matters that will need adjustment at the termination of the Army occupancy of the hotels in this area.

Yours very truly,

RALEIGH HOTEL, INC.,
By FRED C. BARLEY,
Authorized Agent.

EXHIBIT No. 1060

ROY F. FRANCE, INC.,
Miami Beach, Fla., July 13, 1943.

Mr. GLYNN RASCO,

*Executive Secretary, Miami Beach Hotel Owners Association,
Miami Beach, Fla.*

DEAR MR. RASCO: As per your request, the following is an analysis of the settlement between the Army and the owners of the Regal Hotel, Washington Avenue and Fifth Street, which was recently released by the Army.

Enclosed you will find a copy of my appraisal of damages to building only, amounting to \$6,014.22.

At a meeting between Mr. Tarilton, representing the Real Estate Division of the Army, the owners, and myself several items on my appraisal were reduced or not allowed, claiming ordinary wear and tear.

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Although the outside of the building was defaced by the insertion into the stucco of metal shields to secure storm shutters, they would only allow about \$150 for the outside work.

The floors in all 42 bathrooms were 4¼- by 4¼-inch matt-finished tile and were so badly scratched that they should be replaced; however, we were only allowed \$4 each to clean them.

In regard to the painting of interior walls and woodwork, my estimate was cut approximately 33 percent, claiming ordinary wear and tear.

The above, with other minor items, reduced my estimate to approximately \$4,300, applying the difference of \$3,927.67 between the final settlement of \$8,227.67 to replacing of 1,400 yards of carpet, refinishing of furniture, replacing of blankets, shower curtains, linens, bed pads, etc.

Trusting this is the information you requested, I am,

Sincerely,

ROY F. FRANCE.

Estimated cost of restoring the Regal Hotel, at the northwest corner of Washington Avenue and Fifth Street, Miami Beach, Fla., to the same condition it was in before occupancy by the United States Army:

Outside:

Stucco, 15,600 feet, at 2 cents-----	\$312.00	
Patching cracks-----	75.00	
130 openings, at \$1.25-----	162.50	
Painting fire escape-----	60.00	
2 pieces vitrolite-----	12.00	
		\$621.50

Lobby:

Clean and polish terrazzo floor, 1,125 feet, at 3 cents---	33.75	
Paint walls, 1,650 feet, at 2 cents-----	33.00	
Replace decorations-----	10.00	
Enamel woodwork and windows-----	20.00	
Repair linoleum, 10 yards, at \$2.50-----	25.00	
Replace broken glass transom-----	8.00	
Refinish 12 venetian blinds, at \$4.50-----	54.00	
		183.75

Ladies' toilet:

Paint walls and ceiling, 260 feet, at 2 cents-----	5.20	
3 openings, at \$1.15-----	3.45	
1 venetian blind-----	3.00	
		11.65

Men's Toilet:

Paint walls and ceiling, 140 feet, at 2 cents-----	2.80	
2 openings, at \$1.15-----	2.30	
		5.10

Stairs to second floor:

Bleach out treads and revarnish and paint railing-----		40.00
--	--	-------

Room 201:

Paint walls, 1,044 feet, at 2 cents-----	\$20.88	
12 openings, at \$1.15-----	13.80	
Replace tile floor-----	28.00	
Refinish medicine case-----	1.25	
2 new thresholds (oak), at \$1-----	2.00	
Repair and refinish venetian blinds (4), at \$4.50-----	18.00	
Toilet seat-----	3.50	
Repair plaster-----	1.50	
		88.93

Room 202:

Paint walls, 865 feet, at 2 cents-----	17.30	
10 openings, at \$1.15-----	11.50	
Replace tile floor-----	28.00	
Refinish medicine case-----	1.25	
2 oak thresholds, at \$1-----	2.00	
3 venetian blinds, at \$4.50-----	13.50	
Toilet seat-----	3.50	
		77.05

Room 203:		
Paint walls, 900 feet, at 2 cents	\$18.00	
9 openings, at \$1.15	10.35	
Replace tile floor	28.00	
Refinish medicine case	1.25	
2 oak thresholds, at \$1	2.00	
2 venetian blinds, at \$4.50	9.00	
Toilet seat	3.50	
Repair plaster	1.50	
		\$73.60
Room 204:		
Paint walls, 804 feet, at 2 cents	16.08	
9 openings, at \$1.15	10.35	
Replace tile floor	28.00	
Refinish medicine case	1.25	
2 oak thresholds, at \$1	2.00	
2 venetian blinds, at \$4.50	9.00	
Toilet seat	3.50	
Toilet bowl	18.00	
		88.18
Room 205:		
Paint walls, 1,162 feet, at 2 cents	23.24	
9 openings, at \$1.15	10.35	
Replace tile floor	28.00	
Refinish medicine case	1.25	
2 oak thresholds, at \$1	2.00	
2 Venetian blinds, at \$4.50	9.00	
Toilet seat	3.50	
Patch door jamb	1.00	
		78.34
Room 206:		
Paint walls, 738 feet, at 2 cents	14.76	
9 openings, at \$1.15	10.35	
Replace tile floor	28.00	
Refinish medicine cabinet	1.25	
2 oak thresholds, at \$1	2.00	
2 Venetian blinds, at \$4.50	9.00	
Toilet seat	3.50	
Show rod	2.50	
		71.36
Room 207:		
Paint walls, 828 feet, at 2 cents	16.56	
9 openings, at \$1.15	10.35	
Replace tile floor	28.00	
Refinish medicine cabinet	1.25	
2 oak thresholds, at \$1	2.00	
2 Venetian blinds, at \$4.50	9.00	
Toilet seat	3.50	
Switch plate	.75	
		71.61
Room 208:		
Paint walls, 728 feet, at 2 cents	14.56	
9 openings, at \$1.15	10.35	
Replace tile floor	28.00	
Refinish medicine case	1.25	
2 oak thresholds, at \$1	2.00	
2 Venetian blinds, at \$4.50	9.00	
Toilet seat	3.50	
2 pieces wall tile	1.50	
Light shade	1.50	
		71.66
Room 209:		
Paint walls, 936 feet, at 2 cents	18.72	
10 openings	11.50	
Replace tile floor	28.00	
Refinish medicine case	1.25	
2 oak thresholds, at \$1	2.00	

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Room 209—Continued.

3 Venetian blinds, at \$4.50	\$12.50
Toilet seat	3.50
Grab rail over tub	2.00

\$80.47

Room 210:

Paint walls, 838 feet, at 2 cents	16.76
9 openings, at \$1.15	10.35
Replace tile floor	28.00
Refinish medicine case	1.25
2 Venetian blinds, at \$4.50	9.00
2 oak thresholds, at \$1	2.00
Toilet seat	3.50

70.86

Room 211:

Paint walls, 900 feet, at 2 cents	18.00
9 openings, at \$1.15	10.35
Tile floor	28.00
Refinish medicine case	1.25
2 oak thresholds, at \$1	2.00
2 Venetian blinds, at \$4.50	9.00
Toilet seat	3.50

72.10

Room 212:

Paint walls, 882 feet, at 2 cents	17.64
9 openings, at \$1.15	10.35
Tile floor	28.00
Medicine case	1.25
2 oak thresholds, at \$1	2.00
2 Venetian blinds, at \$4.50	9.00
Toilet seat	3.50

71.74

Room 214: Same as 212

71.74

Room 215:

Paint walls, 774 feet, at 2 cents	15.48
11 openings, at \$1.15	12.65
Tile floor	28.00
Medicine case	1.25
2 oak thresholds, at \$1	2.00
4 venetian blinds, at \$4.50	18.00
Toilet seat	3.50
Fasten operator on window	.25

81.13

Room 216:

Paint walls, 846 feet, at 2 cents	16.92
13 openings, at \$1.15	14.95
Tile floor	28.00
Medicine case	1.25
2 oak thresholds, at \$1	2.00
6 venetian blinds, at \$4.50	26.00
Toilet seat	3.50
5 pieces glass	5.00

97.62

Room 217:

Paint walls, 432 feet, at 2 cents	8.64
5 openings, at \$1.15	5.75
Tile floor	28.00
Medicine case	1.25
2 oak thresholds, at \$1	2.00
2 venetian blinds, at \$4.50	9.00
Toilet seat	3.50

58.14

Room 218:

Paint walls, 720 feet, at 2 cents	14.40
9 openings, at \$1.15	10.35
Tile floor	28.00
Medicine case	1.25
2 oak thresholds, at \$1	2.00

Room 218—Continued.

2 venetian blinds, at \$5.50	\$9.00
Toilet seat	3.50

\$68.50

Room 220:

Paint walls, 828 feet, at 2 cents	16.56
9 openings, at \$1.15	10.35
Tile floor	28.00
Medicine case	1.25
2 oak thresholds, at \$1	2.00
2 venetian blinds, at \$4.50	9.00
Toilet seat	3.50

70.66

Room 222:

Paint walls, 882 feet, at 2 cents	17.64
9 openings, at \$1.15	10.35
Tile floor	28.00
Medicine case	1.25
2 oak thresholds, at \$1	2.00
2 venetian blinds, at \$4.50	9.00
Toilet seat	3.50

71.74

Room 224:

Paint walls, 900 feet, at 2 cents	18.00
9 openings, at \$1.15	10.35
Tile floor	28.00
Medicine case	1.25
2 oak thresholds, at \$1	2.00
2 venetian blinds, at \$4.50	9.00
Toilet seat	3.50
1 piece wall tile	1.00

73.10

Room 226:

Paint walls, 936 feet, at 2 cents	18.72
11 openings, at \$1.15	12.65
Tile floor	28.00
Medicine case	1.25
2 oak thresholds, at \$1	2.00
4 venetian blinds, at \$4.50	18.00
Toilet seat	3.50

84.12

Third-floor rooms: Same as second floor

1,592.60

Second-floor corridor:

Paint walls, 2,840 feet, at 2 cents	\$56.80
Paint openings, 27, at \$1.15	31.05
Refinish venetian blinds, 2, at \$4.50	9.00

96.85

Third-floor corridor:

Paint walls, 2,840 feet, at 2 cents	56.80
Paint openings, 27, at \$1.15	31.05
Refinish venetian blinds, 2, at \$4.50	9.00

96.85

Stairs to third floor:

Bleach out treads and varnish, paint railing	40.00
Plaster patching	150.00

Summary:

Outside	\$621.50
Lobby	183.75
Ladies' toilet	11.65
Men's toilet	5.10
Stairs, first to second, second to third	80.00
Second-floor rooms and corridor	1,689.45
Third-floor rooms and corridor	1,689.45
Plaster patching	150.00
Rent for 2 months, at \$666.66	1,333.32
Storage on furniture	250.00

Total 6,014.22

Respectfully submitted.

ROY F. FRANCE, INC.

EXHIBIT No. 1061

JANUARY 17, 1944.

TRUMAN'S INVESTIGATING COMMITTEE FOR MIAMI BEACH HOTELS.

GENTLEMEN: As manager of the Rex Hotel, formerly occupied by the Army, I have listed below the items not taken into consideration by the adjustment committee. They are as follows:

(a) Bathrooms were carelessly used causing a wing of the building to collapse and endanger others. This damage totaled \$225, paid at my own expense. Complete repairs were made at my expense during the time the Army was in possession. However, when the building was returned the condition was of the same.

(b) Springs and mattresses were returned in such poor condition as to render them useless. This was apparently caused by the beds being employed as chairs, inasmuch as there was only one chair to each room.

(c) The outside of the building was painted prior to turning the building over to the Army. When the hotel was returned to my possession, 9 months later, the building was not repainted.

(d) Metal chairs were broken and were not repaired; therefore are useless in their present condition.

(e) A pipe fence which was used around the building was removed and never returned.

(f) Latches from the Yale locks were removed from doors and have not been replaced.

(g) Pillows from the beds were used but never cleaned.

(h) Wastebaskets and drinking glasses were not returned.

(i) The blankets turned over to the Army, at the present time are not the same as those returned. These are of inferior quality.

(j) Among my personal things, a box of silverware was not returned.

Would appreciate immediate action and consideration to be taken in this matter.

Yours truly,

LOUIS BECKERMAN,
Manager, Rex Hotel.

EXHIBIT No. 1062

JULY 28, 1943.

Re Roosevelt Hotel Apartments, Miami Beach, Fla.

Mr. RUDOLPH HALLEY,
Truman Committee,
Washington, D. C.

DEAR MR. HALLEY: Mr. Glynn O. Rasco, of the Miami Beach Hotel Owners Association, has requested that I write to you telling you of the circumstances in connection with the leasing of the above-named property by the Army, and the settlement which has taken place very recently.

This property is owned by a corporation, officers of which were called to the office of the Civilian Coordinating Committee in the spring of 1942. We were asked to give the Government an option on the building. We did so, and the building was supposed to have been taken over on April 12, 1942.

The rental offered was \$13,200, and we accepted this rental. Although this property, since we have owned it, has been owner-managed, and has not been leased, if leased for civilian use would bring about \$17,500 per year.

We held this property in readiness for Government occupancy for some time, but finally toward fall, decided they were not going to take it over after all, and prepared it for our winter season at a cost of about \$1,800. Then in October 1942, the Army asked for a renewal of the option, at the same rental rate, which we signed.

We were then notified that we must remove the furniture from the building, although the option we signed in April had not called for the removal of the furniture. In all, counting the removal of the furniture, the cartage and storage bill, and putting the furniture back into the building again, cost \$2,300.

Although, according to our estimator, it will cost us \$15,400 to restore the building, we have accepted \$9,817 from the Government because we figured we must get started and put the building back into shape without delay for civilian use.

On April 12, 1942, option was signed and Army requested immediate occupancy, however occupancy did not take place until October 12, 1942. We could not lease or operate for this reason. Although hotel was Army occupied for only 9 months for which we received rental, we feel we should be paid rental for the other 6 months we held the building for the Army.

The Roosevelt Hotel Apartments is a building which consists of 117 rooms.

Please be assured that if you desire any additional information we shall be very glad to furnish it for you.

Sincerely yours,

ROOSEVELT HOTEL APARTMENTS CORPORATION,
By RALPH LACHMAN, *President.*

EXHIBIT No. 1063

JULY 30, 1943.

Re Roselle and Regis Hotels.

Mr. GLYNN O. RASCO,

*Executive Manager, Miami Beach Hotel Owners' Association,
Miami Beach, Fla.*

DEAR SIR: In accordance with your request, this is to advise that prior to the date of occupancy of the Roselle Hotel by the Army, we had leased this property for \$8,500 per annum and the Regis we had operated ourselves at a net profit of \$2,500 per annum, making a total net to us of \$11,000.

The Government, however, refused to pay more than \$7,150 for the two buildings. They are adjoining properties, and we leased them under one lease. The Roselle was occupied by the Army on May 1, 1942, and the Regis on April 27, 1942. Both of these buildings are being returned to us as of July 31 of this year.

At the time the offer was made to us for the lease of these properties we were given a definite offer on a take-it-or-leave-it basis.

Inventory and condition reports of the buildings were not taken at the time the Army occupied the two buildings, but were taken some time thereafter. The condition report does not speak the truth as to the condition of the buildings at the time of occupancy. As a good example of the error in the condition report, in going over it with our contractor we found that the condition report set forth burns and other damage to certain furniture located in the buildings and upon examining that same furniture as shown on the condition report after occupancy by the Army and before same has been repaired, we find the furniture in better condition than that shown on the condition report.

The condition report is in error in many other instances in that it shows furniture to be burned and otherwise damaged, which was not the condition of that particular furniture at the time the Army took possession.

We have been advised that we will not be paid anything for the inequitable rental that is being paid for the premises by the Army and we would appreciate any effort you might make to see that some renegotiation and some equitable settlement can be made so as to show us a fair return upon our investment.

Very truly yours,

HARRY KARS.
REBECCA KARS.

JULY 15, 1943.

Re Roselle Hotel.

Mr. GLYNN O. RASCO,

*Executive Manager, Miami Beach Hotel Owners' Association,
Miami Beach, Fla.*

DEAR MR. RASCO: Referring to the above-named hotel, of which I am the owner, this is to confirm that I desire to have a readjustment of the rental for this hotel. The amount paid to me now is not adequate.

I urge the appointment of an impartial committee to adjust my claim adequately.

Very truly yours,

HARRY KARS,
By HARRY KOHN, *Representative.*

EXHIBIT No. 1064

HOTEL ROWE,
Miami Beach, Fla., July 15, 1943.

Re Rowe Hotel.

Mr. GLYNN O. RASCO,

*Executive Manager, Miami Beach Hotel Owners' Association,**Miami Beach, Fla.*

GENTLEMEN: With reference to the Rowe Hotel, located at 6600 Collins Avenue, Miami Beach, may I say that this is to confirm that I desire to have a readjustment of rental on my hotel. The amount being paid to me is not adequate.

I urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

PAUL E. ROWE.

HOTEL ROWE,
Miami Beach, Fla., July 31, 1943.

Re Hotel Rowe.

Mr. GLYNN RASCO,

*Executive Secretary, Hotel Owners' Association,**Miami Beach, Fla.*

DEAR MR. RASCO: We have just completed negotiations with the United States Army, real-estate project office, for restoring the Hotel Rowe to condition.

These negotiations took some considerable time due to the reluctance of the Army to make an offer at all commensurate with the cost of restoring the building for the damage done to it by the Army. The initial offer made to us was slightly over \$4,900. Thereafter the offer was raised to slightly over \$5,600. The final offer made, which we accepted, is \$7,086. This amount includes \$263, approximately, for articles purchased from us by the Army, and \$900 for 30 days' rent.

We compute that it will cost \$8,267 to restore our building to condition, and that figure does not include rent for the period of time during which restoration is being made.

We are required to sign a complete release to the United States Government, releasing the Government from any and all claims of every sort and description which we may have against the Government, except for unpaid rental for the month of July 1943. We naturally are unwilling to sign such a release; but, before the money will be paid to us, we are required to sign it. Of course, we cannot restore the building to condition without money; so there is no other course open to us.

In conducting the negotiations, the negotiators stated repeatedly that they could discuss only restoration of the building, and then only certain features of restoration; namely, restoration for damage directly caused, physically, by Army occupation. However, the release that is to be signed covers not only restoration, but all other grievances we have.

Our other grievances include the following:

1. When possession of our building was given to the Army, it was given upon oral representations of the negotiators of the real-estate project office that the lease was being made for the duration of the war and possibly for 6 months thereafter. Had any other representation been made, we would not have agreed to giving the Government possession of the property.

Canceling the lease in such a short space of time, with less than 9 months occupancy by the Army is absolutely disastrous to us, particularly when the Army had possession of the property during the 4 months our hotel is open and does its business for the entire year.

We therefore feel that we should be compensated for our building by an entire year's rental.

2. When we negotiated with the Government, we were told that all property owners were being treated alike, and that an annual rental of \$11,000 was absolutely the top figure that we could expect to receive or that would be paid by the Government for this property or for similar property. We believed these representations and accepted the first figure offered. We later found out that similar properties are leased to the Government for \$12,750, or \$1,750 more per year than the Government is paying us for our property.

Our hotel has 53 rooms and baths, and public space, and is new and strictly modern. We value the building at \$125,000. The property has never been for rent, but we have repeatedly turned down offers at \$15,500 per annum rental for

5 and 10-year leases carrying large deposits to cover damage to the building and the furniture.

Therefore, we feel that we should receive a renegotiation of our lease increasing our rental to at least \$12,750, and that we should be paid for a full year's rent. In support of this contention, we submit the following figures showing our fixed annual charges:

Taxes-----	\$1,473.48
Insurance-----	985.01
Interest (on small first-mortgage loan)-----	1,830.00
Depreciation-----	3,559.01
Total-----	7,447.50

As the lease called for \$11,000 annual rental, we entered into it believing we would receive \$3,152.50 return on our investment, or approximately 3½ percent. Instead, we have received, when we receive the July rental, \$7,944.39, which is just sufficient to cover the above-fixed annual charges. As our business is seasonal and we are open only in the winter months, we will not have a chance to make anything in operations until next January.

In addition to the foregoing fixed annual charges, we should be allowed for an accelerated depreciation, as the building normally is occupied only 4 months, with an average of 60 percent room occupancy, and 100 percent room occupancy only for 2 weeks. During our 100 percent room occupancy, we never have more than two people to a room, and many of the rooms have only one occupant.

When the Army occupied the building, there was 100 percent room occupancy for the entire period, excepting only July, and with three to six soldiers in each room, and with cots in the lobby part of the time. We believe that our building suffered an actual depreciation equal to 10 years of civilian occupancy.

3. We also contend that we were put to great expense in giving the Army possession of our building, which expense we would not have minded had the Army kept the property for the duration of the war. But, we do object to the burden of this expense for this absurdly short lease. The expenses to which we refer include the following:

(a) Removing carpets, laid to baseboard and laying same again:	
Cost of removal-----	\$135
Cost of laying, approximately-----	450
(b) Drayage from hotel to warehouse and return of articles removed from hotel:	
One way-----	100
Return, approximately-----	150
Storage in warehouse-----	180
(c) Cost of canceling telephone contract and reinstalling switchboard and telephones:	
Canceling contract-----	60
Reinstalling, approximately-----	450
Total-----	1,525

These expenses are direct outgrowths of leasing the property to the Army and would not have occurred had the lease not been made.

4. Upon being paid all moneys coming to us under our lease and under the settlement for restoration of the building, we will receive a total of \$15,030.39. However, we will have to spend for the period of time the Government had the building and costs incidental thereto, the following:

Interest on small mortgage loan-----	\$1,830.00
Taxes-----	1,473.48
Insurance-----	985.01
Depreciation (normal)-----	3,559.01
Restoration of building-----	8,267.00
Cost of moving-----	100.00
Cost of moving back-----	150.00
Storage-----	180.00
Cost of removal of telephones, etc-----	510.00
Carpet removal and relaying-----	585.00
Total actual expenses and costs-----	17,639.50

As you can see from the above figures, we are receiving absolutely nothing for our considerable financial investment in this property. The return to us should be 6 percent on our equity of \$94,500, or \$5,670 per annum, at the very minimum. Neither are we compensated for our own extensive time and trouble in turning the property over to the Army, moving, putting it back into condition, and moving back in, etc. You can see that we will actually be out of pocket \$2,609.11, and that we are denied a reasonable return on our investment.

We will appreciate your putting this entire matter before the proper authorities. Anything you can do for us in this situation will find us deeply grateful.

Sincerely,

PAUL E. ROWE, *Owner.*

EXHIBIT No. 1065

ROYAL PALM HOTEL,
Miami Beach, July 15, 1943.

Re Royal Palm Hotel.

Mr. GLYNN O. RASCO,

*Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.*

DEAR MR. RASCO: With reference to the Royal Palm Hotel, Miami Beach, Fla., which I own, may I say that this is to confirm that I desire to have a readjustment of rental on my hotel. The amount being paid to me is inadequate.

I urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

N. H. HANKOFF.

STATE OF FLORIDA,

County of Dade:

On this day personally appeared before me, a notary public, N. H. Hankoff, who after first being duly sworn deposes and says:

I am the part owner of the Royal Palm Hotel, Miami Beach, Fla., which contains 121 rooms, and is now leased to the Government for a yearly rental of \$42,500.

I attended a meeting in Mr. Sirkin's office on or about February 8, 1942, at which was present Mr. Hanks and Lieutenant Tally, and from what these gentlemen and others said, I left the meeting with the impression that we would receive at least approximately \$360 per room and that there would not be more than three men in any one of the rooms.

On May 19 Messrs. Frazure and Sewell requested information as to the cost of my property, building, and equipment. I gave him the figures, which are approximately \$385,000, as being the value thereof and Mr. Frazure then advised me that in a hotel with the number of rooms this one has, and considering the size of the rooms, the Government would and could not house more than 269 men in it; and when the lease was finally signed that was my understanding as to how many men were to be housed therein. However, since the Army has leased the hotel I find that they have housed as many as 650 men, which is more than twice the number of men agreed upon.

After Mr. Frazure had received the figure, he made me his offer of \$30,000. This offer was declined for the reason that it was not sufficient to take care of the fixed charges against the building. Mr. Frazure refused to give any more and stated that they would not pay more than \$30,000, and it would not be taken over unless I would sign an option for that figure.

Mr. Frazure also stated that my attitude was not patriotic to which I replied, "As far as patriotism is concerned I still repeat that you may have my property within 72 hours as I have already offered it. I am sure that the Government does not want to take unfair advantage of us." With that, the Government representatives left.

Later on that evening Mr. Frazure returned again demanding that we accept the \$30,000 figure. When we refused he offered \$32,500, which could not be accepted because that was not sufficient to take care of the obligations. I again told him I was willing to cooperate and I asked him how the Government arrived at the figures to lease hotels and he replied that the negotiations were a military secret.

On March 21 I went to Washington to appeal my case to the proper authority. On March 24 Major Marmel, public relations officer for the War Department, referred me back to the committee in Miami Beach. Upon returning I learned of the newspaper attack, read all of the papers and attempted to make an investigation on the basis of the newspaper report and when I could not get any foundation therefor I became convinced that the attack was for the purpose of using a whip over the hotel men.

My partner then filled out another information blank for the committee and stated we asked a rental of whatever was fair. I was later called to the committee and saw Mr. Meyer who offered \$42,500 which included the public space, dining room, and kitchen. This I accepted and signed the option on April 1 and I received notice for possession on April 3. Possession was taken on April 8.

The building equipment and building condition report was made on June 8, 1942, 2 months after occupancy. This report was forwarded to me at Pittsburgh, and I refused to sign same. Through correspondence, the engineers advised that unless the condition report was signed, rental payments would be withheld. In order to get my rental, as no rental had been paid to that date and I was badly in need of funds, I was forced to sign the report, but made certain reservations thereon.

Upon inspecting the building in the fall of 1942, I was advised by the sergeant that there were about 50 men sleeping in the dining room and 20 men sleeping in the lounge. Further inspection on the upper floors disclosed there were 4 or 5 cots in the rooms, and when the sergeant was questioned in regard thereto he advised that there were approximately 650 being housed in my hotel.

N. H. HANKOFF.

Sworn and subscribed to before me on this 4th day of June, A. D. 1943.

[SEAL]

GLYNN O. RASCO, *Notary Public*.

STATE OF FLORIDA,

County of Dale:

On this day personally appeared before me, a notary public, N. H. Hankoff, who after first being duly sworn, deposes and says:

I am one of the owners of the Royal Palm Hotel, Miami Beach, Fla.

On February 15, 1942, I was invited to a meeting at the office of Harry Sirkin, where I found about 30 or 40 hotel owners, owning hotels south of Twenty-third Street, Miami Beach. The meeting was presided over by Bryan Hanks, who was then connected with the Dade County Defense Council. Lieutenant Talley, representing the Army, was there, and was immediately introduced by Mr. Hanks.

Lieutenant Talley then outlined a proposition regarding the plans of the Army to lease our hotels and submitted substantially the same proposition as was received by the first five hotels. Mr. Hanks then called each individual to express his opinion and in every case the owner offered his property in a most gratifying and patriotic spirit. These were my feelings as well, and I expressed myself in that way at that meeting.

On or about March 18, 1942, John Frazure and Jack Sewell, two real-estate agents, came to my hotel and requested information pertaining to the financial structure of the property. I immediately called my accountant, Furman & Co., and obtained this information, and submitted same to Mr. Frazure. He gave me to understand that this information was in regard to the decision of the Government to lease the Royal Palm Hotel for Army use. He requested to obtain the measurements of the rooms to ascertain the number of men that could be housed. We went into a number of typical rooms and measured them.

That evening Mr. Frazure and Mr. Sewell returned, together with Lt. Holliman, and informed me that the sum of \$30,000 would be the annual rental given me for the Royal Palm Hotel, which is a 125-room structure on the ocean front, a fireproof building, which at that time was just 2½ years old. I was dumbfounded and proceeded to explain that this sum of money would not cover the fixed charges, let alone depreciation and any return whatsoever on my investment. He then informed me that the total number of men that could be housed there would be 269, and that that was all the rental that would be paid, and that I must immediately make plans to evacuate all civilians for Army occupation within 3 days. I requested Mr. Frazure that he give me a letter ordering me

to evacuate, and that I would discuss the question of rental with proper authorities or a board that would no doubt be set up to iron out these matters.

Mr. Sewell then made the statement that I was not being very patriotic about it, to which I replied rather heatedly that I was just as good an American as he was, and that as a matter of fact I was a World War veteran, and had a son about to go into the Navy to serve my country. They refused to give me such order, and left. Lieutenant Holliman then made the statement that I was not to discuss these negotiations with anyone; that it was a military secret, and that if I did discuss it I would be subject to arrest. This statement was made to me in the presence of my partner, Mr. Joseph M. Rose.

That evening Mr. Rose went to see Mr. Frazure at home and Mr. Frazure then agreed to increase the offer to \$32,500.

The following day Mr. Frazure returned and attempted to get the Royal Palm for \$32,500 and again I informed him I was willing to turn the hotel over to the Army because they needed it but that I would not accept their figure.

A few days later the newspapers came out with terrible accusations against hotel owners in Miami Beach, accusing them of chiseling, obstructing the war effort, and being unpatriotic. News commentators over the radio demanded to know which hotel owners were obstructing the war effort and said that those hotels would be torn down stone by stone. As a result of this terrible publicity citizens in the streets made remarks that the hotel owners should be hung from the lamp posts, and that they were ruining the entire city.

About the same time the citizens' committee was organized and a more systematic method was then put into use to obtain hotels. Real-estate appraisers were included in this committee who evidently brought in actual appraisals.

In the latter part of March I was called to the office of the real estate section of the Government in the Cromwell Hotel and was informed that the appraisal indicated that my annual rental for the Royal Palm Hotel shall be \$42,500 and that this sum would be the final sum given me. While this figure does not allow for an adequate return on my investment I agreed to accept it because by that time I was convinced that if I did not do so I really would be obstructing the war effort, which I did not want to do.

I was then called into another office where negotiations were started for the purchase of the linens and other supplies of the Royal Palm Hotel at a figure of 40 percent of their actual cost. This figure was finally raised to 50 percent of my original cost for these linens and supplies, although I submitted bills showing that the cost for these same linens had risen considerably higher and that at least 50 percent of my linens were brand new. However, they would not consent to any further consideration and I therefore agreed to turn over my linens at 50 percent of their old cost.

The Army occupied the Royal Palm Hotel on April 9, 1942, and about 2 weeks later I was called in to sign the lease and inventory sheets. There were some 30 or 40 papers to be signed which ordinarily would require several days to study. I did read my lease, and requested an explanation on the 30-day clause. This explanation was given in a rather hazy and unsatisfactory manner that caused me to gather that in the event of the ending of hostilities the 30-day clause would be in effect, and that my rental was on an annual basis. I signed the 30 or 40 papers which I was told to sign all within a matter of 10 minutes.

Later, when I received my copy of the lease and inventory, I discovered that through some clerical error, about 20 percent of my equipment had been inadvertently left off the inventory sheets. After considerable red tape this was finally included.

Sometime in August I received a consolidated inventory and condition report from the post engineer. This inventory was dated June 2, or approximately 2 months after the occupancy of the hotel. When I read of the condition of the hotel as outlined in this condition report I was rather dumfounded because the report indicated that the property had deteriorated very rapidly. At that time I was in Pittsburgh and I immediately wrote to the post engineer stating that I would refuse to sign this report indicating my acceptance because when I turned over the hotel it was in good condition. I received a reply signed by Lt. Joel E. Clark, under date of August 26, 1942, advising me that I will not re-

ceive my rental for the hotel until the consolidated inventory and condition reports were signed. The original of this letter is in my files.

Upon my return to Miami Beach I went to see Lieutenant Holliman and I was told that I must sign these reports, otherwise I would not get my rental. I therefore signed because I needed the rental to pay my living expenses. I finally received a check for rental in October, or 6 months after my hotel was turned over.

In the spring of 1943 I had occasion to go into the Royal Palm Hotel and found that 50 cots had been placed in the dining room and 20 in the lounge. I asked the sergeant in charge why they did that, and was informed that they had over 650 men quartered in the Royal Palm. This is in contrast to the figure of 269 men capacity as I was informed during negotiations.

While I have no objection whatsoever in permitting the soldiers to occupy my property, the thing I resent is the methods used to mislead me and coerce me into turning over my property. Unfair advantage was taken of me as well as other hotel owners who were only too willing to help along the war effort by making facilities immediately available for training of soldiers.

My property has not as yet been turned back to me, nor have I ever requested that it be returned. I have since learned that in many other sections of our Nation properties have been turned over for Army use and fair and adequate rates are being paid to the owners. When I was in France during the World War, if we took a limb from a tree belonging to a Frenchman, we were ordered to pay for it.

N. H. HANKOFF.

Subscribed and sworn to before me this 7th day of January 1944.

_____, Notary Public.

HEADQUARTERS, MIAMI AREA FIRST DISTRICT,
ARMY AIR FORCES TECHNICAL TRAINING COMMAND,
OFFICE OF THE POST ENGINEER,
Miami Beach, Fla., August 26, 1942.

Mr. J. M. ROSE,
% N. H. Hankoff, Pittsburgh, Pa.

DEAR SIR: In re your letter August 20, this office wishes to advise that no payment of rental will be made on the Royal Palm Hotel until signed consolidated inventories and condition reports are returned.

You are at liberty to hold this matter in abeyance until your return home, but vouchers for payment of rental will be withheld until all records are completed.

For the post engineer.

JOEL A. CLARK,
First Lieutenant, Corps of Engineers,
Assistant.

EXHIBIT No. 1066

JULY 14, 1943.

Re St. George Hotel.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners' Association,
Miami Beach, Fla.

DEAR MR. RASCO: Referring to the St. George Hotel, at 605 Euclid Avenue, Miami Beach, of which I am the owner, may I say that this is to confirm that I desire to have a readjustment of the rental on this hotel. The amount now being paid to me is inadequate.

I urgently request that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

HARRY KAY,
President, St. George Hotel, Inc.

EXHIBIT No. 1067

THE SEA ISLE HOTEL,
Miami Beach, Fla., July 14, 1943.

Re Sea Isle Hotel.

Mr. GLYNN O. RASCO,

*Executive Manager, Miami Beach Hotel Owners' Association,
Miami Beach, Fla.*

DEAR MR. RASCO: Referring to the Sea Isle Hotel, located at 3001 Collins Avenue, Miami Beach, which I own, may I say that this is confirmation that I desire to have a readjustment of rental on this hotel. The amount now being paid is inadequate.

May I very strongly urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

BEN TURCHIN.

STATE OF FLORIDA,
County of Dade:

On this day personally appeared before me, a notary public, Ben Turchin, who after first being duly sworn deposes and says:

I am half owner of the Sea Isle Hotel, which is now leased to the United States Army at a yearly rental of \$50,000.

On or about February 9, 1942, I attended a meeting of hotel owners in the office of Mr. Harry Sirkin on Lincoln Road, Miami Beach. Mr. Bryan Hanks and Lieutenant Tally were at the meeting, and stated that they represented the United States Air Forces. Mr. Hanks explained that the Army was about to take over hotels in Miami Beach, and that all present were honor bound not to divulge this information. Lieutenant Tally advised us that due to the emergency, hotels will be taken over in the near future, and that property owners will be paid on the basis of \$10 per man per month for sleeping rooms, averaging 60 square feet per man. In addition, owners would be compensated for useful public space.

I personally advised Lieutenant Tally that this method of compensation would lead to hardships and that such method would leave many owners penniless and without means of earning a living. Lieutenant Tally replied that this is war and that these people could run elevators, if necessary.

Mr. Bryan Hanks explained that owners would be better off taking what compensation that Army will offer, rather than keep hotels empty, and there would not be any rail or automobile transportation to Miami Beach.

On March 23, 1942, the Miami Herald carried an article to the effect that because certain few hotel owners have raised the price of rentals to the United States Army, the Army had changed its plans and will not take over hotels as previously planned. Other newspapers and radio commentators carried headlines to the same effect. These newspaper articles created confusion and embarrassment to all hotel owners in Miami Beach.

The following morning I attended a meeting at the Cromwell Hotel, Mr. Bryan Hanks presided, and explained that due to lack of cooperation of some hotel owners, it was doubtful whether the Army would occupy any of the Miami Beach hotels. At this meeting, as well as the meeting of February 9, at Mr. Sirkin's office, almost everyone present expressed themselves as to their willingness to cooperate with the Army and were ready to turn over their properties whenever needed, also that they had confidence that our Government would treat them on a fair and equitable basis.

The following day a questionnaire was delivered to me by a police officer, asking us to list all our facilities, equipment, the size of rooms and public space, also as to our willingness to lease to the Army, and as to the rental price. We listed everything and stated that we would accept a rental that our Government thinks is fair.

During these days, the newspapers continued to publish articles of accusation that hotel owners were not cooperating with the United States Army. A radio commentator kept asking for names of these hotels, stating in fact that if they were known, the hotels should be torn down stone by stone. I have since learned that these accusations, both by the newspapers and commentators, were unfounded.

For about 2 months after, we were kept waiting for a final decision as to whether the Army was to take over the Sea Isle or not. Every few days, we were told differently. Finally I called on the then Major Fitch, now Lieutenant Colonel Fitch, and was advised by him that the Army was not in need of any more hotels, but that they were badly in need of classrooms. I offered him the use of the public space in the Sea Isle for \$1 until November 1, 1942. This he accepted, and the Army used this space for 10 or 12 classrooms very satisfactorily.

Upon Colonel Fitch's statement that the Army was not in need of any more hotels, we negotiated with the Embry-Riddle Co. of Miami, and we gave them an option for 1 week to lease the Sea Isle for \$75,000 annually, and we were to maintain this property, at their expense, also a purchasing option of \$75,000. On the day of the expiration of this option, we had an appointment for Mr. Riddle to make his inspection and for a final decision. The same day I received a call from Colonel Fitch, requesting that I see him immediately with reference to the Army leasing the Sea Isle Hotel. Upon my visit with Colonel Fitch I was offered a rental of \$50,000 per annum. I told him that such an amount was insufficient for a piece of property with a valuation of approximately \$800,000, also as to the deal pending with the Embry-Riddle Co. Colonel Fitch stated that although the Sea Isle Hotel is worth more than \$50,000 the War Department would look with disfavor if he was to submit any hotel for over that amount, also stating that this was not the time to consider profits or losses, and that although we could get more for our property from others, still it would be more patriotic to lease to the Army. I then told Colonel Fitch that we were anxious to cooperate with the Army, but at the price he offered, we would have to take a yearly loss, also that I was sure that when we would try to rent other properties similar to the Sea Isle, he would have to pay more. Colonel Fitch then stated that he must consider this property on the basis of sleeping rooms only, and that the Army had no use for all the other facilities. He stated that the kitchen and dining rooms, cabanas, swimming pool and cabana clubhouse could be retained by us, also that if and when he was to take over other similar properties, that we would be treated on the same basis. Upon this statement we agreed to accept the \$50,000 rental, and notified Embry-Riddle to the effect.

The hotel was taken over on June 19, 1942. We stored some of our furniture and equipment in the kitchen and other storerooms designated by Army officers. At a later date, the cabana clubhouse, cabanas, and swimming pool were turned into an officers' club, and at a later date the clubhouse was altered and is occupied at present as a United States post office. All other public space was taken and is being used to capacity. About 850 men were housed in the sleeping rooms. Upon Lieutenant Tally's statement, only about 400 men were to be housed. The kitchen and storerooms were broken into and furniture and equipment were removed without our consent and placed in the basement, where dampness caused considerable damage. Some furniture and equipment was put to use by the Army without our consent, and without giving us receipt for same.

When we learned that the kitchen and dining rooms were about to be used, I called on Colonel Fitch and reminded him as to our verbal understanding that this space was not to be used. He offered to pay us an additional \$5,000 rental. I advised him that the depreciation on the kitchen equipment alone would amount to \$12,500 per year. Several days later he advised me that a mess hall would be built on the adjoining lot, and he wrote a supplemental agreement to the lease, excluding the kitchen.

In November the Army took over hotels north of the Sea Isle, some of which were similar in size and value, and all these properties were being paid between 25 and 35 percent more than we were receiving. I asked that we should be put on the same basis as the other properties, as per our original understanding. I had several conferences with Colonel Fitch regarding this matter and on February 17, 1943, Colonel Fitch wrote us stating that he regretted all this discussion, and that it is the understanding of his office that we voluntarily offered to lease the Sea Isle to the Government at a \$50,000 rental.

I have tried several times to arrange a conference between Colonel Fitch and our attorney to discuss this matter. He kept delaying same for about 6 weeks until he left the city, and this matter remained unsettled. Since then I wrote to Brig. Gen. Arnold N. Krogstad, outlining the entire transaction. We received a reply from Col. Ralph N. Parker stating that it appears that the amount of rental paid us is comparable with other properties. We are being

paid approximately 6½ percent gross on the value of the property and most of the other properties leased by the Army in Miami Beach are being paid from 11 to 13½ percent on the value of the property.

We have had an appraisal made of this property by D. Earl Wilson, real estate appraiser, and his appraisal shows that a fair rental should be \$85,000.

BEN TURCHIN.

Sworn and subscribed to before me on this the 7th day of June A. D. 1943.

[SEAL]

GLYNN O. RASCO,

Notary Public, State of Florida at Large.

My commission expires July 16, 1946.

[U. S. Standard Form No. 2 (Revised) Approved by the Secretary of the Treasury May 6, 1935]

LEASE BETWEEN MORRIS SCHWINGER AND ROSE SCHWINGER, HIS WIFE; AND BEN TURCHIN AND GERTRUDE TURCHIN, HIS WIFE, AND THE UNITED STATES OF AMERICA

1. This lease, made and entered into this 25th days of June, in the year one thousand nine hundred and forty-two, by and between Morris Schwinger and Rose Schwinger, his wife; and Ben Turchin and Gertrude Turchin, his wife, whose address is 1030 14th Street, Miami Beach, Florida, for themselves, their heirs, executors, administrators, successors, and assigns, hereinafter called the Lessor, and the United States of America, hereinafter called the Government:

Witnesseth: The parties hereto for the considerations hereinafter mentioned covenant and agree as follows:

2. The Lessor hereby leases to the Government the following described premises, viz:

All of Block of ocean front property subdivision, according to the plat thereof, recorded in Plat Book 5 at pages 7 and 8, of the Public Records of Dade County, Florida; together with riparian rights; and et cetera, together with all improvements thereon, including swimming pool, cabanas, cabana clubhouse, and cabana porches, and hotel known as Sea Isle Hotel, 3025 Collins Avenue, Miami Beach, Florida, to be used exclusively for the following purposes (see instruction No. 3): Air Corps housing and other National Defense Requirements of the War Department.

3. To have and to hold the said premises with their appurtenances for the term beginning June 19, 1942, and ending with June 30, 1943.

4. The Government shall not assign this lease in any event, and shall not sublet the demised premises except to a desirable tenant, and for a similar purpose, and will not permit the use of said premises by anyone other than the Government, such sublessee, and the agents and servants of the Government, or of such sublessee.

5. This lease may, at the option of the Government, be renewed from year to year at a rental of fifty thousand and no/100 (\$50,000) dollars per annum, and otherwise upon the terms and conditions herein specified, provided notice be given in writing to the Lessor at least 30 days before this lease or any renewal thereof would otherwise expire: *Provided*, That no renewal thereof shall extend the period of occupancy of the premises beyond six months—after the termination of the present emergency.

6. The Lessor shall furnish to the Government, during the occupancy of said premises, under the terms of this lease, as part of the rental consideration, the following:

(a) Basic furniture now in the hotel including beds, springs, mattresses, pillows, dressers, tables, chairs, blankets, excluding draped, bed spreads, pictures, bric-a-brac, antiques, and lobby rugs.

(b) Lessor further agrees to sell to the Government shower curtains, such becoming the property of the Government, and upon payment therefor such items shall be withdrawn and deducted from the inventory of the contents of the hotel. The items so purchased are attached to Owners Warranty, both of which are attached hereto and made a part hereof.

7. The Government shall pay the Lessor for the premises rent at the following rate: Fifty Thousand (\$50,000.00) Dollars per annum and in addition thereto the further sum of One Hundred and Seventy Six and 25/100 (\$176.25) Dollars to be

paid on June 30, 1942, which sum is in addition to the regular rental payment falling due on that date.

Payment shall be made on June 30th and December 31st of each year by the Finance Officer, U. S. A., Fort McPherson, Atlanta, Georgia.

8. The Government shall have the right, during the existence of this lease to make alterations, attach fixtures, and erect additions, structures, or signs, in or upon the premises hereby leased (provided such alterations, additions, structures, or signs shall not be detrimental to or inconsistent with the rights granted to other tenants on the property or in the building in which said premises are located); which fixtures, additions, or structures so placed in or upon or attached to the said premises shall be and remain the property of the Government and may be removed therefrom by the Government prior to the termination of this lease, and the Government, if required by the Lessor, shall, before the expiration of this lease or renewal thereof, restore the premises to the same conditions as that existing at the time of entering upon the same under this lease, reasonable and ordinary wear and tear and damages by the elements or by circumstances over which the Government has not control except: *Provided, however*, That if the Lessor requires such restoration, the Lessor shall give the written notice thereof to the Government 20 days before the termination of the lease.

9. [This item x'd out.]

10. If the said premises be destroyed by fire or other casualty this lease shall immediately terminate. In case of partial destruction or damage, so as to render the premises untenable, either party may terminate the lease by giving written notice to the other within fifteen days thereafter, and if so terminated no rent shall accrue to the Lessor after such partial destruction or damage.

11. No Member of or Delegate to Congress or Resident Commissioner shall be admitted to any share or part of this lease or to any benefit to arise therefrom. Nothing, however, herein contained shall be construed to extend to any incorporated company, if the lease be for the general benefit of such corporation or company.

12. The sum of \$176.25 mentioned in paragraph 7 includes full compensation to the Lessor for shower curtains mentioned in Par. 6b hereof, such becoming the property of the Government.

13. Immediately after the consummation of this lease, the representatives of the Lessor and the Government shall make a joint survey and inventory setting forth the furnishings and equipment generally described in par. 6 hereof.

14. This lease, or any renewal thereof, may be cancelled by the Government by giving 30 days notice to lessor of its intent on so to do.

Changes before execution: Par. 9 deleted: Pars. 12, 13, and 14 added.

In witness whereof, the parties hereto have hereunto subscribed their names as of the date first above written.

MORRIS SCHWINGER,
ROSE SCHWINGER,
BEN TURCHIN,
GERTRUDE TURCHIN,
Lessor.

In presence of:

ANNA K. SLOME,
611 16th St., Miami Beach, Fla.
LOUISE L. WHITE,
31270 SW. 19th Ter., Miami, Fla.

(As to Morris Schwinger, Rose Schwinger, and Ben Turchin.)

UNITED STATES OF AMERICA,
By JOHN E. HOLLIMAN,
1st Lieut. C. E., Purchasing and Contracting Officer.

(If Lessor is a corporation, the following certificate shall be executed by the secretary or assistant secretary.)

I, _____, certify that I am the _____ Secretary of the corporation named as Lessor in the attached lease; that _____, who signed said lease on behalf of the Lessor, was then _____ of said corporation; that said lease was duly signed for and in behalf of said corporation by authority of its governing body and is within the scope of its corporate powers.

-----[CORPORATE SEAL]

INSTRUCTIONS TO BE OBSERVED IN EXECUTING LEASE

1. This standard form of lease shall be used whenever the Government is the lessee of real property; except that when the total consideration does not exceed \$100 and the term of the lease does not exceed 1 year the use of this form is optional. In all cases where the rental to be paid exceeds \$2,000 per annum the annual rental shall not exceed 15 per centum of the fair market value of the rented premises at the date of lease. Alterations, improvements, and repairs of the rented premises by the Government shall not exceed 25 per centum of the amount of the rent for the first year of the rental term or for the rental term if less than 1 year.

2. The lease shall be dated and the full name and address of the lessor clearly written in paragraph 1.

3. The premises shall be fully described, and, in case of rooms, the floor and room number of each room given. The language inserted at the end of article 2 of the lease should specify only the general nature of the use, that is, "office quarters," "storage space," etc.

4. Whenever the lease is executed by an attorney, agent or trustee on behalf of the lessor, two authenticated copies of his power of attorney, or other evidence to act on behalf of the lessor, shall accompany the lease.

5. When the lessor is a partnership, the names of the partners composing the firm shall be stated in the body of the lease. The lease shall be signed with the partnership name, followed by the name of the partner signing the same.

6. Where the lessor is a corporation, the lease shall be signed with the corporate name, followed by the signature and title of the officer or other person signing the lease on its behalf, duly attested, and, if requested by the Government, evidence of his authority so to act shall be furnished.

7. Under paragraph 6 of the lease insert necessary facilities to be furnished, such as heat, light, janitor service, etc.

8. There shall be no deviation from this form without prior authorization by the Director of Procurement, except—

(a) Paragraph 3 may be drafted to cover a monthly tenancy or other period less than a year.

(b) In paragraph 5, if a renewal for a specified period other than a year, or for a period optional with the Government is desired, the phrase "from year to year" shall be deleted and proper substitution made. If the right of renewal is not desired or cannot be secured paragraph 5 may be deleted.

(c) Paragraph 6 may be deleted if the owner is not to furnish additional facilities.

(d) If the premises are suitable without alterations, etc., paragraph 8 may be deleted.

(e) Paragraph 9 provides that the lessor shall, "unless herein specified to the contrary, maintain the said premises in good repair, etc." A modification or elimination of this requirement would not therefore be a deviation.

(f) In case the premises consist of unimproved land, paragraph 10 may be deleted.

(g) When executing leases covering premises in foreign countries, departure from the standard form is permissible to the extent necessary to conform to local laws, customs, or practices.

(h) Additional provisions, relating to the particular subject matter mutually agreed upon, may be inserted, if not in conflict with the standard provisions, including a mutual right to terminate the lease upon a stated number of days' notice, but to permit only the lessor so to terminate would be a deviation requiring approval as above provided.

9. When deletions or other alterations are permitted specific notation thereof shall be entered in the blank space following paragraph 11 before signing.

10. If the property leases is located in a State requiring the recording of leases in order to protect the tenant's rights, care should be taken to comply with all such statutory requirements.

SUPPLEMENTAL AGREEMENT No. 1

W2287 eng-1179

Know All Men by These Presents:

Whereas on June 25, 1942, Lease W2287 eng-1179, was entered into by and between Morris Schwinger and Rose Schwinger, his wife, and Ben Turchin and Gertrude Turchin, his wife, and the United States of America, for the

premises comprising the Sea Isle Hotel, 3025 Collins Avenue, City of Miami Beach, County of Dade, State of Florida, at a rental of FIFTY THOUSAND DOLLARS (\$50,000.00) per annum for the period June 19, 1942, to June 30, 1943, renewable each year for the period of the present National Emergency and six months thereafter; and

Whereas it is understood and agreed that the kitchen and kitchen equipment is excluded from this lease; for and in consideration of certain alterations and repairs which have been made by the Lessor at his own expense to and on said premises and the further consideration that the Lessor shall absolve the Government from any and all responsibility and grant to the Government freedom from any expense in connection with the maintenance of said kitchen and kitchen equipment;

Whereas it is considered advantageous to the Government that said kitchen and kitchen equipment be excluded from said lease:

Now, therefore, it is understood and agreed by and between the parties to the said lease, that beginning October 1, 1942, the instrument is changed in the following respects and in these particulars only:

The legal description in Article 2 of said lease shall be amended by the addition of the following words: "The kitchen and kitchen equipment in this building are specifically excluded from this lease."

Witness our hands and seals this 1st day of October 1942.

MORRIS SCHWINGER,
ROSE SCHWINGER,
BEN TURCHIN,
GERTRUDE TURCHIN,

Witness: AUDREY F. EDRICK,
300 SE. 1st Ave., Miami.

UNITED STATES OF AMERICA,
By JOHN E. HOLLIMAN,
Captain, C. E., Purchasing and Contracting Officer.

MIAMI BEACH, FLA., September 15, 1943.

Mr. BEN TURCHIN,
Statler Hotel, Washington, D. C.

DEAR MR. TURCHIN: In reply to your inquiry, will say that there were four of us working on establishing rental values for the Army in March, April, and May 1942, Mr. Louis N. Pokress, realtor, Mr. Stanley G. Tarilton, a real estate salesman, Mr. B. E. Bronston, realtor, and myself.

Our estimates constituted one sheet which was signed by three of the four men who worked on the estimating. I do not remember whether my name appears on the estimate for the Sea Isle or not.

I have a compilation of some of the figures on many of the hotels for which estimates were made. It is copied from information abstracted from the estimating sheets by a girl we had in the office from time to time. I have those figures for the Sea Isle Hotel.

As an appraiser and member of the American Institute of Real Estate Appraisers, I would be false to my oath to the institute if I divulged the values reached, and would break my word to the Army authorities who specifically requested that the values reached must not be communicated to the owners.

However, I can say to you that I have neither made nor signed estimates so low as the figures you gave me over the phone this morning. Furthermore, any figures submitted were not an appraisal of the property, but by necessity just a hurried estimate.

I did make a formal appraisal of the Sea Isle Hotel in 1941, fully furnished and equipped, and reached a value, as you know, of \$670,000 without furniture and furnishings.

You stated that you were told that the estimate of value was \$500,000 and the rental value 10 percent of this amount.

I wish to state categorically that I never did and do not now consider 10 percent of the value of a hotel of the type of the Sea Isle sufficient rental and that I have never signed any estimate which states or intimates that this is my opinion of the ratio between value and rental value for such hotels.

Owing to the great hurry of the Army to occupy the various premises, it was a physical impossibility to make proper appraisals of any of the properties taken.

I was the only experienced appraiser of the four men. I was not given time to inspect the premises, I did not have operating statements, nor data to estimate replacement value.

Moreover, the estimate sheets had to be signed by three of the men and these three men had to get together on the estimates. There was no case where the estimates reached were my individual and considered opinion.

Other conditions imposed by the Army were that hotel rentals must be estimated upon the basis of 60 square feet of guest room floor space per man; and that the furniture, furnishings, and equipment of the hotels were to be stripped of everything but the barest essential furniture and furnishings. So the estimates for furniture and equipment for a hotel like the Sea Isle would not be more than 60 to 70 percent of the value of a full complement of furniture, furnishings, and equipment.

The fact that the hotel Army occupancy was much higher than contemplated as a basis for the rental estimates would naturally result in much more rapid depreciation and higher rental value.

Regretting that I cannot divulge the estimates and trusting this letter will help you, I am,

Sincerely yours,

E. D. KEEFER.

APPRAISAL REPORT PREPARED FOR MR. BEN TURCHIN, 1030 FOURTEENTH STREET MIAMI, FLA., OF THE SEA ISLE HOTEL, 3001 COLLINS AVENUE, MIAMI BEACH, FLA.

Appraiser, D. Earl Wilson

CERTIFICATE OF VALUATION

D. Earl Wilson does hereby certify that upon application for valuation by Mr. Ben Turchin, 1030 Fourteenth Street, Miami Beach, Fla., that he has personally inspected the hotel property located at 3001 Collins Avenue, Miami Beach, Fla., and known as the Sea Isle Hotel, which is legally described hereinafter, and that in his opinion, the fair market value, including the furniture, furnishings, fixtures, and equipment, was, seven hundred twenty-five thousand dollars, as of May 15, 1942 (\$725,000) and six hundred fifty thousand dollars, as of May 15, 1943 (\$650,000).

He further states that he has no past, present, or future contemplated interest in the property appraised herein.

In witness whereof, D. Earl Wilson has caused these presents to be signed this 21st day of May, 1943.

D. EARL WILSON, M. A. I.

This certificate of valuation includes a report of 23 pages attached hereto and made a part hereof.

MIAMI, FLA., May 18, 1943.

MR. BEN TURCHIN,
1030 Fourteenth Street,
Miami Beach, Fla.

DEAR MR. TURCHIN: Pursuant to your request I have made a personal inspection and investigation for the purpose of determining the fair market value as of May 15, 1942, and as of May 15, 1943, of the Sea Isle Hotel, located at 3001 Collins Avenue, Miami Beach, Fla., which is more particularly described as follows:

LEGAL DESCRIPTION

Lots 1 to 8, inclusive, block 13, Miami Beach Improvement Co.'s ocean front subdivision amended, according to the plat thereof, recorded in plat book 5, pages 7 and 8, of the public records of Dade County Fla.

LOCATION

The appraised property is located between Collins Avenue and the Atlantic Ocean and between Thirtieth and Thirty-first Streets. The hotel building is known as 3001 Collins Avenue, Miami Beach, Fla.

SIZE OF BLOCK

The above-described parcel of land comprises the entire block and has a frontage of 200 feet facing west on Collins Avenue; a depth of approximately 275 feet on Thirtieth and Thirty-first Streets, and 200 feet on the ocean.

STREET IMPROVEMENTS

Collins Avenue and Thirtieth and Thirty-first Streets are paved full width and have sidewalks, curbs, and gutters.

ZONING

This property has the "RE" zoning classification which denotes buildings of a multiple family class, such as hotels and apartment houses.

DESCRIPTION OF BUILDING IMPROVEMENTS

Located on this property is a building known as the Sea Isle Hotel, which consists of a 13-story, class A-1 fireproof hotel building. This building has reinforced concrete framework and concrete slab floors. The curtain walls are concrete block and stuccoed on the exterior. The interior walls are furred and have colored plaster. This building contains 136 guest rooms of good size, each room having large closet and private bath with tile floor and wainscoting. There is more than average public space in this hotel building.

The ground floor, or basement, of the building has barber shop and beauty parlor, guests' toilets, help's quarters, and lockers rooms, linen room, kitchen preparation rooms, receiving room, boiler room, workshop, valet shop, refrigerating rooms for both food and garbage, and several large storerooms.

The main floor of the building has an attractive lobby approximately 36 by 67 feet. This room is two stories in height and has Vermont marble wainscoting 8 feet high. The sunroom is approximately 33 by 50 feet, overlooking the ocean. The dining room is 36 by 66 feet and has a seating capacity of approximately 180 persons. In addition to the above-mentioned rooms, there is a kitchen, a card-room, cocktail lounge, newsstand, general office, manager's and auditor's offices, and on the outside of the building there are about 5,200 square feet of terrace space. The lobby, sunroom, dining room, and kitchen have a ceiling height of two stories. There is a mezzanine floor with eight guest rooms. The flooring in the public rooms on the main floor is terrazzo, as well as on the terrace around the east, south, and west sides of the hotel building. On the west side of the building there is a partially covered porch.

The third through the eleventh floors are all the same and a typical floor contains 14 guest rooms. The floor plan is laid out in such a way that the majority of the rooms have corner windows.

On the top of the building there is a two-story penthouse which contains two hotel rooms, one of which is equipped with a pullmanette kitchen.

In addition to this penthouse, there are solariums for men and women, with toilet and shower facilities for each. The roof of this building is of concrete slab construction with ample expansion joints between the concrete slabs. A water tank is located on the second floor of the penthouse and also the elevator motor room. On top of the penthouse is a tower approximately 30 feet high.

All floors are served by two Otis high-speed elevators.

The windows in the guest rooms are awning type and have screens with wood frames. There are tile stools at the windows.

The typical bathroom has lavatory, toilet, and bathtub with shower head over the tub. The floor and wainscoting are tiled with colored tile. Each guest room has steam radiator and telephone connections. Located on the south side of the main hotel building is an attractive swimming pool which is partially surrounded by frame cabanas and a building of masonry construction which houses the locker rooms. At the corner of Collins Avenue and Thirtieth Street is a parking lot which has oil surface and will accommodate approximately 30 cars. There is a paved drive from Collins Avenue to the front of the hotel.

CONDITION OF IMPROVEMENTS

This building was completed in December 1940. The building is now under lease to and occupied by the United States Army as barracks for troops. Upon my inspection of the property, I noticed that the Army occupants were causing excessive wear and tear, far greater than normal wear and tear. On the main floor of the building the marble wainscoting had been scratched and chipped in some places. In the guest rooms the window operators, for the awning-type windows, have been altered in their method of operation, and in changing the operators numerous rooms had cracked plaster along the window facing. In some of the rooms the tile window stools have been broken. The bathroom in practically every room had most of the glaze worn off the tile floor. Many of the awning-type windows will have to be completely gone over and serviced in order to put them in good working condition again. The thresholds in almost every doorway leading from the hallways to the guest rooms were split. All guest room walls will need repainting.

Numerous doors and door facings throughout the building had been marred, and some of the doors on the roof had padlock fittings installed and then removed, without repairing the surface. In my opinion, the exterior of the building, such as the window frames and sash are not being properly maintained. They need paint and other repairs.

On the ground floor of the building the present occupant has boarded up the large windows with storm shutters. Steel angle irons have been used. The angle irons used in erecting these storm shutters are being allowed to rust and the discoloration is running down the side of the building and staining the terrazzo terrace with rust stains which will be difficult if not impossible to remove.

The only part of the building which is in excellent condition is the boiler room. The swimming pool, cabana building, and locker-room building appear to be in a somewhat better condition than the main hotel building. In the locker-room building some alterations have been made by the present occupant.

LANDSCAPING

The exterior grounds surrounding this building have been well landscaped, and as of the date of my inspection were being properly maintained.

FURNITURE, FURNISHINGS, FIXTURES, AND EQUIPMENT

At the time of my inspection of the hotel building some of the furniture had been removed from the building. Some of the furniture in the lobby, sunroom, cardroom, and most of the dining-room furniture had been removed, as well as the porch chairs on the terrace. All carpeting in the halls and guest rooms had been removed, as well as the drapes and lamps. The typical furniture remaining in the guest rooms consisted of twin beds with box springs and inner-spring mattresses, one straight chair, and two or more chests of drawers. In some of the guest rooms there were writing desks. There are venetian blinds at the windows. The furniture is solid wood and appeared to be of good quality. Judging from the furniture in the building, it is my opinion, that before the Army occupied this hotel, the lobby, sunroom, and dining room were adequately furnished in good taste and of good quality, in keeping with the other furniture in the hotel.

CONDITION OF FURNITURE, FURNISHINGS, FIXTURES, AND EQUIPMENT

The furniture which is now in the guest rooms is showing excessive depreciation from hard use. Almost invariably every piece of furniture having a flat top surface was marred with cigarette burns. The foot rails on the beds have been marred by shoes. The mattress coverings have been soiled and will require complete renovation and new coverings.

ADEQUACY OF IMPROVEMENTS

In my opinion, the appraised building improvements constituted a maximum and best use of the site on which they are located.

DATA ON THE DISTRICT

This hotel property is located in one of the desirable hotel sections of Miami Beach. It is directly on the ocean and has its own bathing beach. It is in an area which has developed within the past few years with numerous hotels, and in my opinion, this area will continue to be one of the best locations for hotels on Miami Beach for some time yet to come. It is conveniently located to the shopping centers on Miami Beach, as well as to golf courses, night clubs, and transportation facilities.

CONSTRUCTION COST OF BUILDING IMPROVEMENTS

I have estimated the cubical contents of this building to be approximately 970,000 cubic feet.

In my opinion, 41 cents per cube would represent the cubic-foot cost of construction of a building of this character under conditions which existed at the time this building was erected, with respect to costs of material and labor. If the building could be built today, the cost of materials and labor would be considerably in excess of the cost per cubic foot as I have set forth above.

In my opinion, 970,000 cubic feet, at 41 cents per cubic foot, or \$397,700, is the construction cost of this building, as of December 1940, the date it was erected.

The other improvements on this property, such as the swimming pool, cabanas, locker rooms, paving, bulkheading, landscaping, etc., I estimate to have cost around \$50,000. In my opinion, the total cost of the improvements is around \$447,700.

Assessed values and taxes for 1942

	Assessed values	Taxes
Building:		
City of Miami Beach.....	\$200, 500	\$4, 812. 00
State and county.....	433, 000	5, 216. 40
Contents:		
City of Miami Beach.....	22, 000	528. 00
State and county.....	60, 000	712. 80

LAND VALUE

In my opinion, the fair market value, as of May 15, 1942, of the land, as set forth hereinbefore under "Legal description," and exclusive of all building improvements and landscaping is \$200,000.

VALUE OF FURNITURE, FURNISHINGS, FIXTURES, AND EQUIPMENT

I have estimated the value of the furniture, furnishings, fixtures, and equipment at \$110,000, as the original cost. In my opinion the fair market value, as of May 15, 1942, of the furniture, furnishings, fixtures, and equipment is \$88,000 or approximately \$650 per hotel room.

INCOME AND EXPENSES

This new hotel had only 2 years of operation before the Army occupied it. A copy of the annual income and operating expense schedules for each of these 2 years is included in this report.

While there were certain unusual favorable and unfavorable factors existent during these 2 years which had their effect upon hotel operation, I am assuming that these 2 years more or less reflect normal operation. Therefore, my economic analysis of the property has been largely predicated upon these two statements of actual operation.

STRUCTURAL MAINTENANCE

I have estimated the structural maintenance of these building improvements to be \$1,250 per year. This item will provide for periodic (every 3 to 5 years) exterior structural maintenance of the building, such as waterproofing, painting the window frames and sash and metal work, calking the windows, roof repairs, etc.

From the information which I have in my files, as well as the information I have obtained from sources which I consider to be reliable, I estimate that it will cost \$3,000 annually for periodic (every 2 to 3 years) painting, repairing, and reconditioning the interior of the building and for the maintenance of the furniture, furnishings, fixtures, and equipment.

MODERNIZATION

The Sea Isle Hotel is practically new and modern in every detail as of the date of this appraisal. However, in order to maintain the character and class which this hotel originally had, it will be necessary from time to time to modernize the building in order to keep it in a fairly competitive position with other high-class hotels in this area. This item can be taken care of by setting aside a sinking fund annually for this purpose.

SINKING FUND—BUILDING

I am assuming that the appraised building improvements have a 35-year useful economic life. I have set up an annual amortization on a 4-percent basis to provide for the replacement of the capital investment at the end of its useful life; \$6,375 set aside annually from the earnings and compounded at 4-percent interest, will return the value (\$422,100) as of May 15, 1942, of all the improvements at the end of 33 years.

SINKING FUND—FURNITURE, FURNISHINGS, FIXTURES, AND EQUIPMENT

I am assuming that the furniture, furnishings, fixtures, and equipment in this building have a 10-year useful economic life. I have set up an annual amortization on a 4-percent basis to provide for the replacement of the capital investment at the end of its useful life; \$3,350 set aside annually from the earnings and compounded at 4-percent interest, will return the value (\$88,000) as of May 15, 1942, of the furniture, furnishings, fixtures, and equipment at the end of 8 years.

CAPITALIZATION

I am of the opinion that the proper interest rate of return on the replacement value of the building improvements, as of May 15, 1942, considering the speculative risks involved, is 8 percent.

The proper interest rate of return on the land, as of May 15, 1942, considering the speculative risks involved, is 6 percent.

The proper interest rate of return on the furniture, furnishings, fixtures, and equipment, as of May 15, 1942, considering the speculative risks involved, is 10 percent.

These capitalization rates may appear somewhat high but, in my opinion, they are the proper rates to use in projects where practically 12 months business must be accomplished in 3 months.

Summary of physical valuations

Estimated cost of building improvements (new)-----	\$447, 700	
Less depreciation, 5 $\frac{3}{4}$ percent (35 years useful life, 2 years consumed)-----	25, 600	\$422, 100
Estimated cost of furniture, furnishings, fixtures, and equipment (new) -----	110, 000	
Less depreciation, 20 percent (10 years useful life, 2 years consumed)-----	22, 000	88, 000
Land value-----		200, 000
Total physical value of property (round figures)-----		710, 000

Distribution of hotel operation under lease

Capital return (interest) :	
\$422,100 building value, at 8 percent return-----	\$33,768.00
88,000 value of furniture, etc., at 10 percent return-----	8,800.00
200,000 land value, at 6 percent return-----	12,000.00
710,000	54,568.00
Capital recovery (depreciation) :	
Sinking fund:	
Building-----	6,375.00
Furniture, etc-----	9,550.00
Fixed charges:	
Taxes-----	11,147.91
Insurance-----	2,785.58
Outside maintenance-----	1,250.00
	31,108.49
Owner's return on investment (May 1942)-----	54,568.00
Capital recovery and fixed charges-----	31,108.49
Estimated rental value of property (\$625 per room), round figures-----	85,000.00
Average annual gross income (2 years)-----	200,625.00
Average hotel operating expense (2 years)-----	65,847.00
Operating profit-----	134,778.00
Less rent paid by lessee (which includes capital return and taxes, insurance, exterior maintenance and depreciation charges of lessor)-----	85,000.00
Lessee's hotel operating profit-----	49,778.00

INFORMATION REGARDING PRESENT LEASE

The entire property appraised herein, excepting the kitchen, kitchen equipment, and certain minor pieces of furniture, was leased to the United States Army on June 19, 1942. The lease expires on June 30, 1943. The lessee, under the terms of the lease, has the option of renewal. The annual rental provided in the lease is on the basis of \$50,000 per year. The lessee has the privilege of canceling the lease upon 30 days' advance notice to the lessor. Taxes, all insurance, depreciation, and maintenance of the roofs of the buildings are paid by the lessor.

APPRAISER'S COMMENTS

The property appraised herein is one of the larger and better ocean-front hotels at Miami Beach. This hotel has its own cabanas, swimming pool, private bathing beach and is a complete ocean-front hotel plan. The building improvements are of modern design and of good quality construction. The lay-out of the entire plan is of good taste and is well planned for the convenience and comfort of the hotel guests.

In determining the fair market value of hotel property at Miami Beach, as of May 1942 and as of May 1943, it is obvious that consideration must be given to many factors that are now present, or in effect that would not be found in more normal years.

When approaching the value of a hotel property from the economic viewpoint the average earning history of the property, in particular, and the hotel business, in general, for the past several years must be weighed. The capacity of the property for profitable utilization within the reasonable contemplated future is also of prime importance. The average net annual earnings of the property over a term of years is the figure sought, and upon which the value of the property is largely predicated. The annual rental for leasing, of from 5 to 10 years, is also based primarily upon this figure.

Quite a few of the hotel properties at Miami Beach have been built by the owners for the purpose of term leases. Some owners have found the operation to be so profitable that they have operated the hotels themselves or made the leases on a percentage basis which would permit them to participate in the large earnings. The great number of hotels built at Miami Beach during the past 8 years is evidence in itself that they must be very good paying investments.

I have computed the fair annual rental on a term lease for the Sea Isle Hotel to be \$625 per room. I am reliably informed that the rental paid this year (1942-43 season) on the Versailles Hotel will be in excess of \$670 per room. This is a term lease on a percentage basis with a guaranteed minimum. The Sea Isle Hotel and the Versailles Hotel are both new hotels in the same location and are quite comparable in practically all respects.

I have charge of an 80-room hotel in a lower price bracket, located in South Beach. The income of this hotel this year was 17 percent less than the annual average income over a 9-year period. So, when it is assumed that the past 2 years will reflect normalcy over a period of years, the assumption is at least conservative.

The use of resort hotels as barracks for the United States Army troops is a new idea in military operations, or at least it is new in this area. After a year's occupancy by the Army, it has been found that excessive wear and tear, in other words, accelerated depreciation takes place because of the greater number of persons housed in the hotels above normal operations. It can be readily appreciated that 200 soldiers are going to give a hotel and its furniture, furnishings, fixtures, and equipment heavier and harder use than would 200 guests composed of men and women, many of whom would be elderly, over the same period of time. The resort hotel under civilian use and occupancy only operates from 4 to 5 months during the year, while under Army use it is occupied and used to capacity for the full 12 months. As an example of excessive use, the beds would get from three to four times greater annual use by the Army; the bathrooms, with 7 men in a room would receive around three to four times greater daily use than under ordinary hotel guest occupancy of 2 guests per room. Then considering a full year's use as compared with 4 months' use, the hotel bathrooms get 9 to 12 times the annual use under Army occupancy that they would get under guest hotel occupancy. The other equipment in the hotel will have similar excessive use.

I have obtained an estimate on the cost of repairing and restoring the building to good condition (\$41,000) from Mr. Arthur J. Urban, an experienced estimator and maintenance man. I also obtained an estimate on the cost of repairing and refinishing the furniture and furnishings (\$11,502) from Mr. G. A. Price, president of the Royal Palm Furniture Factories, Inc., who is well experienced in the manufacturing and refinishing of furniture. I had Mr. Roy E. France, the architect of the hotel, make an estimate on both the cost of repairing the building and refinishing the furniture. Some of these items were covered by both Mr. Urban and Mr. Price in their estimates. Mr. Turchin, the owner, has also submitted an estimate of repairs and replacements which were not covered by the estimates of Mr. Urban, Mr. Price, and Mr. France. The estimate of Mr. Turchin however, is incomplete as of this date and cannot be completed until the property has been returned to the owner and the inventory checked off. A copy of all four estimates is included in this report.

While considering the cost of repairs to restore the building and the furniture to required condition for competitive high-class resort-hotel operation, some thought should also be given to the extent of time required to effect this rehabilitation.

If these hotel properties are all (approximately 375 hotels and apartments) to be returned to the owners at the same time or even over a period of a year, it is very doubtful if there are sufficient skilled craftsmen to accomplish this work in this area. The labor is now in the armed forces or in war industries and is not immediately available to do this type of civilian work. The same labor situation that is found with respect to rehabilitation of the building will also be found with respect to repairing and refinishing the old furniture. On the other hand, should one decide to purchase new furniture, his situation of supply remains about the same. I have talked to furniture men in this regard and they say that the furniture factories have lost their craftsmen to the armed forces and to war industries and it will be some time after the war is over before they are reorganized and new furniture will be available to meet civilian demand.

However, this is not all the difficulties that confront the hotel owner when his hotel is returned. There is the additional difficulty of priorities in obtaining the

required materials even if they are available. Many materials are not available now. Then, too, if there are any restrictions against permits for this type of building work, they would have to be relaxed.

Unconditional surrender by the enemy will not mean immediate release from priorities. Furniture manufacturers, hardware companies, and material supply houses see a possibility for a continuation of priorities for sometime after the enemy surrenders.

Under normal circumstances, with no labor or material shortages, it would take 3 to 4 months to rehabilitate the Sea Isle Hotel.

In view of the foregoing building and furniture situation, a hotel owner is faced with the loss of perhaps a year's rent after the Army returns the property to him before he can restore it for guest occupancy.

Summarizing the foregoing, a hotel owner is justly entitled to consideration of an increase in rental, of that called for in the lease, for the rehabilitation of his building, for the refinishing and replacement of the furniture, furnishings, fixtures, and equipment and for the rental allowance of time required to restore the hotel to full operating condition.

These items are the tangible claims. There are also intangible items such as "goodwill" or the "going concern value" of an organization and a clientele which are valuable business assets. Both of these assets are seriously depleted if not completely lost by the Army's occupancy of this property.

In my opinion, based upon the estimates and the information set forth herein, a fair and equitable estimate of the afore-mentioned tangible items, as of May 15, 1943, would be as follows:

Rental deficiency under present 1-year lease occupancy-----	\$35,000
Rehabilitation of building-----	41,000
Refinishing furniture and fixtures-----	11,500
Owner's estimate of repairs and replacements of items not covered by the estimates of Mr. Urban (building), Mr. Price (furniture and fix- tures) and Mr. France (composite)-----	16,474
Rental on building during period of restoration (if building is returned to owner between the 1st day of October and the 30th day of the follow- ing April)-----	85,000
Total-----	188,974

FAIR MARKET VALUE

In my opinion, the fair market value of this property, including the furniture, furnishings, fixtures, and equipment was \$725,000, as of May 15, 1942, and \$650,000, as of May 15, 1943.

The foregoing valuations were based upon building costs as of 1933, 1939, and 1940. Building costs, as of 1943, would be substantially higher because of labor and material shortages. Private enterprise would consider it uneconomical to build under the high costs of today, even if material, labor, and priorities were available.

The difference in value of the property for the 2 years is due principally to the accelerated depreciation that has taken place during that time and not to the changed conditions in the real-estate market.

I have no past, present, or future contemplated interest in the property appraised herein or in the claims for adjustment that have been compiled and which are set forth in this report.

Respectfully submitted.

D. EARL WILSON.

MIAMI, FLA., May 19, 1943.

Mr. D. EARL WILSON,
Security Building, Miami, Fla.

DEAR MR. WILSON: Pursuant to your request I have personally inspected the Sea Isle Hotel Building at 3001 Collins Avenue, Miami Beach, Fla., and it is my opinion that it will cost approximately \$41,000 to repair, repaint, and replace either broken or missing items to similar condition as of 1 year ago, or as of the time of this hotel being taken over by the United States Army.

While my inspection did not cover every room in the above-mentioned building, I did thoroughly inspect the first, fourth, sixth, eighth, tenth, and twelfth floors, and assumed the other floors to be typical. I also inspected the exterior of the building and the cabana club buildings.

The general appearance of the windows, doors, plaster, bathroom tile floors, venetian blinds, and all painted surfaces indicates excessive wear and tear. In the bedrooms which I inspected there were sufficient beds and bunks to accommodate from four to six soldiers, and in several instances as many as seven bunks or beds to the room. This large occupancy explains the excessive wear and tear. Normal hotel occupancy is one and one-half to two persons per room.

It is also my opinion, if a limited amount of maintenance work during this past year had been done, the entire structure could not be put back into good condition at a lesser cost than my estimation of \$41,000.

On Monday, May 17, 1943, the day of my inspection, I found some of the windows facing the ocean wide open, even though it was a rainy and squally day, with a blustering wind blowing in from the ocean, and the rain was coming through the open windows onto the floor and furniture and whipping the venetian blinds about quite severely.

Yours very truly,

ARTHUR J. URBAN.

ROYAL PALM FURNITURE FACTORIES, INC.,
Miami, Fla., May 19, 1943.

Mr. D. EARL WILSON,
Security Building, Miami, Fla.

DEAR MR. WILSON: In response to your request, we made a survey on May 17, 1943, of the damage to furniture, springs, mattresses, and pillows apparently caused by United States Army personnel during their occupation of the Sea Isle Hotel, Thirty-first Street and Collins Avenue, Miami Beach.

We inspected approximately half of the 136 hotel rooms and found so nearly the same conditions in these rooms that we feel it is proper to assume all rooms are, on the average, alike as to furniture, springs, mattresses, and pillows, and damage to same.

Typical rooms contain the following items belonging to the Sea Isle Hotel:

One dresser and hanging mirror, one chest of drawers, two beds, two box springs, two inner-spring mattresses, two pillows, one table desk, one night table, one straight chair, one metal smoker.

(NOTE.—In approximately 10 percent of the rooms larger wood armchairs were also found.)

The following damage was typical throughout the rooms examined: Deep cigarette burns on tops of all dressers, chests, desks, and night tables; all beds damaged on the top rail of footboards, where apparently rough soles of shoes have scarred and dented the wood; approximately 25 percent of chests and dressers have lips broken from the drawers; approximately 15 percent of chests and dressers have been so roughly handled that their joints are completely loosened; casters on beds will require replacing because use on rough cement floor has ruined the wheels; all mattresses require complete reworking with new cotton and covers; all box springs require new covers to match mattress; all pillows require replacing.

We wish to point out, in connection with the last three items, that due to mattresses and pillows having been used without proper protection from body perspiration and soil from uniforms, they cannot possibly be used without complete replacement of all materials subject to contamination. Due to the impossibility of matching covering materials—new with old—it will be necessary to replace box spring covers, although in most cases they may appear to have sustained very little damage.

All furniture, besides requiring the services to correct the damage outlined above, will need to be completely refinished from the bare wood.

While it is impossible to state today what material and labor conditions will be at the time the hotel is vacated, we base our estimate on the existing situation and arrive at the following:

Repairing, resanding, and refinishing all furniture listed above (136 sets)_____	\$5,712
Reworking mattresses and box springs as outlined above (272 sets)_____	4,624
Replacing pillows (136 pairs)_____	816
In addition to the hotel room furniture, there are approximately 200 diningroom chairs requiring repairing and complete refinishing_____	350
Total _____	11,502

Undoubtedly one of the contributing factors to the heavy damage sustained in this case is the fact that each room is occupied by six or seven men instead of the usual average of not over two when civilian occupied.

On the day our examination was made the weather was bad—heavy rains driven by squalls. In spite of this fact, however, windows were found open in some rooms and broken out in others, permitting the wind-blown rain to come in and wet all the furniture in the entire room. It is only natural that rapid depreciation would be caused under such treatment.

Respectfully submitted.

ROYAL PALM FURNITURE FACTORIES, INC.,
By G. A. PRICE, *President*.

MIAMI BEACH, FLA., May 18, 1943.

MR. D. EARL WILSON,
Security Building, Miami, Fla.

DEAR MR. WILSON: At the request of Mr. Ben Turchin and in company with him and Lieutenant Clark of the post engineers, I examined the Sea Isle Hotel for a couple of hours on Sunday, May 16, and find it will be necessary to do the following work as itemized below to put the hotel in the same condition it was in before being taken over by the Army:

1. Typical rooms: Paint all walls and ceilings in room, closet and bath with two coats of lead and oil paint; treat all rust spots on metal trim and enamel all trim and woodwork—136 typical rooms, at \$42.50 each-----	\$5, 780
2. Corridors: Same as rooms—10, at \$90 each-----	900
3. Public spaces: Same as rooms—12,000 square feet, at 5 cents-----	600
4. Plaster patching-----	500
5. Screens: Repairing and replacing 300 screens, at \$3 each-----	900
6. Windows: Repairs to streamline (awning type) windows, adjusting and new parts, also reputting 300 windows, at \$9 each-----	2, 700
7. Bathroom floors: Remove and replace tile floor, also remove and replace toilets in all bathrooms; 136 bathrooms, at \$24-----	3, 264
8. Terrazzo floors: Replace and repolish terrazzo floors, 13,500 square feet, at 25 cents-----	3, 375
9. Venetian blinds: Repair and refinish venetian blinds, 300, at \$3-----	1, 800
10. Furniture: Refinish bedroom furniture (oak), 136 suites, at \$40 each-----	5, 440
11. Thresholds: 300 new thresholds, at \$1-----	300
12. Shoe mold: 7,500 lineal feet new shoe mold, at 4 cents-----	300
13. Carpets: Relaying carpet, 136 rooms, 10 corridors, at \$12 each-----	1, 752
14. Exterior: Waterproof outside stucco and paint all wood and iron work, 46,292 square feet, at 5 cents-----	2, 314
15. Miscellaneous-----	3, 075
Total-----	33, 000

The above estimate does not allow anything for repairs to mechanical equipment or cabana clubrooms.

Respectfully submitted.

ROY F. FRANCE, *Architect*.

MAY 19, 1943.

MR. D. EARL WILSON,
Miami, Fla.

DEAR MR. WILSON: In addition to the statement attached hereto, signed by Roy F. France, architect, we attach hereto an additional schedule showing the additional work and estimated costs that will be necessary to restore additional furniture other than the bedroom suites, together with an item omitted by Mr. France, in connection with such structural work as cabanas, elevators, etc., which we have included at the bottom of this statement.

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Item	Cost per unit	Amount	Item	Cost per unit	Amount
270 springs and mattresses.....	\$20.00	\$5,400.00	11 love seats.....	\$15.00	\$165.00
270 pillows.....	2.75	742.50	424 chairs.....	5.00	2,120.00
270 blankets.....	8.50	2,295.00	7 desks.....	20.00	140.00
270 mattress pads.....	1.50	405.00	149 tables.....	5.00	725.00
138 mirrors.....	2.50	345.00	Total.....		14,616.50
144 waste baskets.....	1.00	144.00	Cabanas.....		1,000.00
162 ash stands.....	2.50	405.00	Cabana clubhouse.....		2,000.00
Carpeting dining room.....		300.00	Elevator cabs, door, and equipment.....		5,000.00
6 rooms and corridor carpet.....		375.00			8,000.00
2 Murphy cabinets.....	50.00	100.00	Grand total.....		22,616.50
1 filing cabinet.....		10.00			
1 secretary.....		10.00			
1 chiffonobe.....		10.00			
1 divan(6 seat) 12 feet long.....		300.00			
1 vacuum cleaner.....		15.00			
122 lockers.....	5.00	610.00			

Statement of income and expenses, Sea Isle Hotel, for the year Dec. 16, 1940-Apr. 30, 1941

DETAIL

Income:		Amount
Room rentals.....		\$167,788.68
Cabanas.....		900.00
Other income.....		1,994.17
Concessions.....		13,100.00
Total income.....		183,782.85
Deductions—Fixed charges:		
Insurance.....	\$2,785.58	
Taxes, personal and real estate.....	11,147.92	
Total.....		13,933.50
Gross income.....		169,849.35
Operating expenses:		
Pay roll.....	\$25,433.06	
Advertising.....	7,768.48	
Decorations.....	529.53	
Entertainment.....	6,477.86	
Utilities.....	6,516.74	
Supplies.....	1,543.33	
Laundry.....	2,713.47	
Auditing.....	1,479.00	
Licenses.....	638.64	
Miscellaneous.....	1,355.27	
Repairs and maintenance.....	3,965.88	
Office supplies.....	427.07	
Postage.....	1,790.58	
Stationery.....	1,491.87	
Uniforms.....	371.93	
Taxes, social security.....	2,292.53	
Traveling.....	564.46	
Dining room employees.....	4,841.07	
Kitchen replacements.....	1,205.40	
Total.....	71,406.17	
Net income before depreciation.....		98,433.18
Less depreciation normal.....		24,817.41
Net income prior to income tax.....		73,625.77

NOTE.—The item of interest on the mortgage has been omitted on this statement.

Sea Isle Hotel, statement of income and expenses for the year Dec. 1, 1941-Apr. 30, 1942

DETAIL		Amount
Income:		
Room rentals		\$203,353.61
Cabanas		1,425.50
Telephone and telegraph		645.18
Other miscellaneous		4,025.18
Concessions		6,351.00
Army		1,666.66
Total income		217,467.13
Deductions—Fixed charges:		
Insurance	\$2,791.18	
Taxes, personal property	383.80	
Taxes, real estate	10,764.11	
Total		13,939.09
Gross income		203,528.04
Operating expenses:		
Pay roll	\$25,609.56	
Auditing	810.00	
Advertising	2,098.09	
Entertainment	6,182.12	
Utilities	7,325.47	
Laundry	4,725.44	
Licenses	321.65	
Postage	401.16	
Miscellaneous	2,229.86	
Office supplies	702.90	
Printing and stationery	797.46	
Repairs and maintenance	3,407.68	
Supplies	1,336.98	
Social-security taxes	984.68	
State unemployment	1,392.55	
Traveling	1,761.87	
Uniforms	64.62	
Bad debts	136.56	
Total		60,228.65
Net income before depreciation		143,299.39
Less depreciation, normal		24,830.66
Net income prior to income tax		118,468.73

NOTE.—The item of interest on the mortgage has been omitted on this statement.

QUALIFICATIONS OF D. EARL WILSON

Resident of Miami, Fla., for the past 42 years.

Active in real-estate business, specializing in appraising real and personal property in Florida for the past 22 years.

Has constructed, operated, and owned store buildings, apartment houses, warehouses, and filling stations; and managed hotels, office buildings, garages, and commercial buildings.

Has appraised vacant and improved property in the metropolitan Miami area and in various other cities and counties in the State of Florida, and is particularly familiar with property values in the vicinity of property appraised herein.

Member of the American Institute of Real Estate Appraisers.

President of the Florida Chapter of the American Institute of Real Estate Appraisers for the year 1936.

President of the Miami Board of Realtors during 1930.

Chairman of the appraisal committee of the Miami Board of Realtors for 4 years.

Chairman of the appraisal committee of the Florida Association of Real Estate Boards for 2 years.

Former member of the Florida Real Estate Commission.

An approved valuator of Miami, Miami Beach, and Coral Gables real estate for the Reconstruction Finance Corporation, Federal Housing Administration, Home Owners' Loan Corporation, Prudential Life Insurance Co., New York Life Insurance Co., and Jefferson Standard Life Insurance Co.

Has appraised the McAllister, the Everglades, and the Alcazar Hotels in Miami; the Miami Biltmore Hotel in Coral Gables; the Roney Plaza, the Floridian, the Wofford, and many other hotels in Miami Beach; the Boca Raton Club in Boca Raton; the Palm Beach Biltmore and the Whitehall Hotels in Palm Beach; the George Washington, and the Royal Worth Hotels in West Palm Beach; and other hotels in southeast Florida.

Has made reports analyzing assessments for taxation purposes, on office buildings, hotels, apartment houses, and store buildings. Has testified as to the real-estate values in the Federal courts of Indiana, New York, and Florida, and in circuit courts of Dade County, Fla.

Is consulted and quoted by the investigators of the Income and Estate Tax Divisions of the United States Government on matters pertaining to the values of real estate in the metropolitan Miami area.

EXHIBIT No. 1068

STATE OF FLORIDA,

County of Dade:

Before me the undersigned authority personally appeared Morton Eisenstein, to me well known, who upon being duly sworn deposes and says: I am the secretary of Shelby Hotels, Inc., a Florida corporation, which was the owner of the Shelby Hotel, 1826 Collins Avenue, Miami Beach, Fla., on April 1, 1942, when the United States Government took possession of said hotel. The Army is in possession at this time.

Negotiations were had with the then Captain Fitch, who offered \$10,500 a year. I told Captain Fitch I would have to wire one of my associates who was in New York and would let him know the next day. My associate flew down here the next day and when I went to see Captain Fitch he said the deal was off and shortly thereafter he offered us \$8,100 and stated that the street would be a military zone and indicated that access to the hotel for my guests would be difficult if not impossible and said, "How will you be able to pay your taxes if you keep open and this is a military zone?" We were decidedly under pressure and signed a commitment at \$8,100 a year.

The property stood the corporation more than \$90,000. It consists of 44 rooms and 44 baths and under any market conditions we could have rented the property at \$325 a room, or \$14,300. If we had it now we could get \$375 per room. The Government has been and is now paying \$184 per room.

This hotel is the only asset of Shelby Hotels, Inc., and the corporation relied upon the income from the hotel to carry the property; \$8,100 a year was not enough to pay the interest, taxes, amortization, insurance, and other charges and expenses necessary to hold the hotel, and by reason thereof a foreclosure suit was started by the first mortgagee and a receiver appointed who, subsequent to possession by the Army, and on June 16, 1942, entered into a formal lease with the Government at the said rental of \$8,100 a year.

The litigation was finally adjusted by the appointment of a trustee who collected the Government rents and applied it as far as the same would extend to the payment of the fixed charges.

In the year and a half of occupation the fixed charges piled up so that the liens upon the hotel were considerably greater than the aggregate of the liens at the time the Army took possession.

The officers of the corporation believe that justice demands that the lease be renegotiated as of the time of the possession by the Army for a rental commensurate with the rental value of the premises.

This affidavit is limited to the question of rents and is not intended to have any bearing on the question of damages by reason of extraordinary wear and tear.

MORTON EISENSTEIN.

Sworn to and subscribed before me this 10th day of January A. D. 1944.

[SEAL]

HARRY GORDON,

Notary Public, State of Florida at Large.

My commission expires December 27, 1947.

EXHIBIT No. 1069

SOMERSET HOTEL,
Miami Beach, Fla., July 15, 1943.Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners' Association,
Miami Beach, Fla.

DEAR MR. RASCO: Referring to the above-named hotel, of which the Columbia Corporation is the owner, this is to confirm that we desire to have a readjustment of the rental for this hotel. The amount paid to us now is not adequate.

I urge the appointment of an impartial committee to adjust our claims adequately.

Also we feel that the Army should restore this property to its original condition at the time it is returned to us.

Very truly yours,

COLUMBIA CORPORATION,
By H. WHERIN.

EXHIBIT No. 1070

JANUARY 6, 1944.

To the TRUMAN COMMITTEE OF THE UNITED STATES SENATE.

HONORABLE SENATORS.

(Attention Mr. Rudolph Halley.)

GENTLEMEN: We respectfully call your attention to a lease upon the South Seas Hotel, located at 1751 Collins Avenue, Miami Beach, Fla., entered into by the United States of America in the early part of July 1942 for the purposes of housing Army personnel.

The hotel was built and was then and is now owned by True Partners, Inc., a Florida corporation. This structure was built on leased ground (99-year lease) at a basic rental of \$7,500 per year, in addition to such State, county, and city taxes as there might be assessed thereon.

This hotel, consisting of 76 rooms, together with such public space as therein contained, was completed in the early part of 1942, and was in operation for only several months before the Army occupied same.

At the time that the Government made this lease, the local newspapers created much adverse publicity in pointing out the fact that certain hotel owners in Miami Beach were impeding the war effort by their refusal to lease their properties for Army purposes and that there was an atmosphere created which pointed directly to hotel owners of certain religious faith; that they in particular were holding up the Government in pursuit of the war effort, and that to follow this course would be grossly unpatriotic; and this sort of publicity created much racial hatred and antipathy toward a minority group.

To allay such feeling the owners of this property leased to the Government the South Seas Hotel on an annual rental of \$21,750. This amount was the most that the Government would offer and it was either to submit ourselves to the base insinuations or sign the lease on these terms.

I respectfully submit to your honorable committee a break-down of all the fixed charges that this corporation would be obliged to pay during the occupancy of their property by the Government, which shows a net deficiency for the year of 1942 in the amount of \$9,653.66.

The Government occupied this property until December 11, 1943, approximately a year and a half, and based on the rental as against income, there was created a loss of approximately \$15,000.

We herewith submit to this honorable committee a pro forma statement of profit and loss for the current year, ending December 31, 1943, prepared by Blumin & Roberts, certified and licensed public accountants, which we make part of this statement as is fully set forth, and more particularly calling your attention to pages 2 and 3 of the report, which gives to your committee a complete break-down

of all obligations due, the cost of the servicing of the debts of the corporation, together with the fixed charges which this corporation were required to pay, together with debts foregone and same showing the deficiency as herein referred.

You will also note that there were invested \$177,000 in building and furniture, the financing and the cost of servicing the indebtedness and to whom same was payable.

In conclusion, this corporation has been willing to forego any earnings that they might have made by reason of their operation of this hotel, if it could have been operated for civilian use. They were willing to forego any increment that their investment might have brought them in order to help the war effort, but we believe that the Government does not and would not require them to build up an operating deficit so that their property might be placed in jeopardy due to the fact that their expenses by far exceed the amount of their fixed income derived from the Government lease.

We fully realize that we have no legal claim against the Government, but we feel that we have a moral claim for such deficiency as was built up against us during the occupancy by the Government. If the honorable Senators will recognize such moral claim and if given the proper attention by your committee, we will abide by whatever fair treatment that our plea might receive.

Respectfully submitted.

[CORPORATE SEAL]

S. L. KRAMER,

Secretary of True Partners, Inc. (a Florida Corporation).

PRO FORMA FINANCIAL STATEMENT, MAY 1, 1943, TRUE PARTNERS, INC. (SOUTH SEAS HOTEL), MIAMI BEACH, FLA.

BLUMIN & ROBERTS,

Miami Beach, Fla., May 27, 1943.

TRUE PARTNERS, INC.,

Miami Beach, Fla.

GENTLEMEN: We have examined the books and records of the True Partners, Inc., and in accordance with your instructions have prepared the attached balance sheet, as at May 1, 1943, pro forma statement of cash receipts and disbursements for the calendar year 1943 and a pro forma statement of profit and loss for the calendar year 1943.

These three statements were prepared from the books and records of the corporation, contracts and leases on file, and from information secured by direct verification.

It is our opinion that these three statements fairly present the financial position of the corporation as at May 1, 1943, and that the pro forma statement of cash receipts and disbursements and statement of profit and loss, fairly present the receipts, disbursements, income, and expenses for the calendar year 1943, as accurately as they can be determined at this time.

Respectfully submitted.

BLUMIN & ROBERTS,

By HARRY BLUMIN,

Certified Public Accountant.

Before me, a notary public in and for the State of Florida at large, personally appeared Harry Blumin, to me well known and known to be the person who prepared the attached statements marked page 1, page 2, and page 3, and who deposes and says under oath: That to his best knowledge and belief these statements are true and correct.

HARRY BLUMIN.

Sworn and subscribed to before me this 27th day of May 1943.

[SEAL]

EVELYN BROWN,

Notary Public, State of Florida at Large.

My commission expires January 31, 1945.

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Pro forma balance sheet, May 1, 1943. True Partners, Inc. (South Seas Hotel), Miami Beach, Fla.

ASSETS	
Building cost-----	\$136,641.10
Furniture cost-----	40,686.21
Total-----	177,327.31
Less: Depreciation reserves-----	11,030.41
Net cost, building and equipment-----	166,296.90
Prepaid mortgage loan costs-----	1,438.67
Prepaid insurance-----	5,785.60
Prepaid interest-----	246.14
Organization expense-----	140.08
Prepaid interest on furniture contract-----	2,666.60
Total assets-----	176,573.39

LIABILITIES AND CAPITAL	
Liabilities:	
Accounts payable-----	\$1,991.46
Mortgage payable, Chase Federal-----	54,856.84
Contract payable on furniture-----	23,321.61
Notes payable-----	9,300.00
Notes payable, insurance-----	4,543.90
Pay-roll taxes-----	521.43
Notes payable, officers-----	5,000.00
Income tax payable-----	731.86
Ground rent payable (to Sept. 30, 1943)-----	15,090.00
Total liabilities-----	115,267.10
Capital and surplus:	
Preferred stock issued-----	22,000.00
Common stock issued-----	42,050.00
Total capital issued-----	64,050.00
Less: Deficit to May 1, 1943-----	¹ 2,743.71
Total capital and surplus-----	61,306.29
Total liabilities and capital-----	176,573.39
¹ Deficit.	

Pro forma statement of cash receipts and disbursements for calendar year ending Dec. 31, 1943; True Partners, Inc. (South Seas Hotel), Miami Beach, Fla.

Receipts: Annual rent under existing lease with the United States Government-----	\$21,750.00
Disbursements:	
Ground rent (99-year lease)-----	7,500.00
Insurance including interest-----	1,738.64
Real estate and personal property taxes-----	3,363.77
State and Federal capital-stock taxes-----	87.50
Payments on first mortgage, 12 at \$611.05-----	7,332.60
Payments on furniture contract-----	9,000.00
Escrow fee to American Bank & Trust Co-----	120.00
Income-tax payments on 1942 income-----	981.15
Legal and accounting fees-----	200.00
Storage charges on furniture-----	1,080.00
Total disbursement-----	31,403.66
Deficiency for year-----	¹ 9,653.66
¹ Deficit.	

*Pro forma statement of profit and loss, for calendar year ending Dec. 31, 1943,
True Partners, Inc. (South Seas Hotel), Miami Beach, Fla.*

Income: Annual rent under existing lease with the United States
Government----- \$21,750.00

Expenses:

Ground rent on 99-year lease-----	7,500.00
Insurance, fire and windstorm only-----	1,738.64
Real-estate and personal-property taxes-----	3,363.77
State and Federal capital-stock taxes-----	87.50
Interest on first mortgage, Chase Federal-----	3,300.00
Interest on furniture contract with American Business Credit Corporation-----	1,399.30
Storage on furniture-----	1,080.00
Escrow fee to American Bank & Trust Co., for receiving and dis- bursing Government rents-----	120.00
Accounting and legal fees-----	200.00
Depreciation on building, \$136,641.10 at 2½ percent-----	3,416.03
Depreciation on furniture, \$40,686.21 at various rates-----	4,856.94
Income tax on 1942 income-----	981.15
Total expenses-----	28,043.33
Net loss per year on basis of present lease-----	16,293.33

Amortization requirements:

Payments on furniture contracts to—	
American Business Credit Corporation, per month, \$750-----	9,000.00
Chase Federal Savings & Loan Association, per month, \$611.05-----	7,332.60
Total-----	16,332.60
Less: Interest included in above payments-----	4,699.30
Net amortization of principal-----	11,633.30
Less: Funds provided from depreciation expense-----	8,272.97
Deficiency-----	13,360.33
Net annual loss per year-----	16,293.33
Total deficiency per year-----	19,653.66

¹ Deficit.

The corporation owes \$9,300 for borrowed money; \$731.86 for income taxes; \$521.43 for pay-roll taxes, and \$1,991.46 accounts payable and \$5,000 notes to officers. No provision can be made for any of the above obligations out of income.

EXHIBIT No. 1071

STRATH HAVEN HOTEL,
Miami Beach, Fla., July 14, 1943.

MR. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: As secretary of Bertsol, Inc., owners of the Strath Haven Hotel, Miami Beach, Fla., I am writing to advise you that this is confirmation that we wish to have a readjustment of the rental for this hotel. The amount being paid to us is not adequate.

I strongly urge that an impartial committee be appointed to adjust my claim equitably.

BERTSOL, INC.,
By VICTOR NAHUM, Secretary.

EXHIBIT No. 1072

JULY 16, 1943.

Re Surrey Hotel, Davis Hotel.

Mr. GLYNN O. RASCO,

*Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.*

DEAR MR. RASCO: This is your authority to renegotiate my leases on the Surrey Hotel and the Davis Hotel, located in Miami Beach, covering the rental on said properties for occupancy by the United States Army.

Very truly yours,

DAVID SHAPIRO, *Owner.*

JULY 28, 1943.

Re: Surrey Hotel, Miami Beach, Fla.

Mr. RUDOLPH HALLEY,

In care of Truman Committee, Washington, D. C.

DEAR MR. HALLEY: At the request of Mr. Rasco, of the Miami Beach Hotel Owners Association, I will give you a complete picture of the Army leasing my hotel, and the attempted return thereof.

Prior to the date of the leasing of the hotel to the Army it had been leased for the rental of \$35,000 per year on a 10-year lease. The lease had run 1 year, that being the age of the building.

This I advised Colonel Fitch at the time he requested me to lease the hotel to the Army. He refused to pay \$35,000. I then requested permission to have the hotel appraised so we might determine the rental upon the appraised valuation. This he refused to do and said that the Army would pay only \$24,700 per annum.

On December 1, 1942, Colonel Fitch advised he wished to have the property and requested that I vacate immediately. At that time I had a full house and was required to move all of my guests therefrom and deliver the property to the Government on that date.

On or about the middle of June 1943 I was advised that the Army would vacate the premises on July 31, 1943. Prior to the time the Army took possession I was required to remove some of the furniture and fixtures and my carpets at a cost of \$1,200, and ever since that date have been required to pay storage thereon at the rate of \$110 per month. To relay the carpets and move the furniture back into the premises will cost \$2,000. Therefore for the 8 months of occupancy by the Army I have received a rental of \$16,000 from which I must deduct \$4,000 for storage, removing and relaying of carpets and for moving the furniture back.

Had I known that the Army would occupy the premises for such a short time I would have forced condemnation proceedings so I could have obtained a fair rental, but I was led to believe that the Army would occupy the hotel during the duration and for 6 months thereafter.

The hotel consists of 94 rooms and is valued at \$260,000. It was only 1 year old at the time the Army occupied the premises.

Mr. Frazure, project manager here, now wishes to return the building to me upon a cash-settlement basis, and to pay damages which he estimates to be \$5,000.

It is impossible for me to restore the building to its original condition, ordinary wear and tear excepted, for less than \$15,000. I have secured estimates for painting the inside of the building. This will cost \$5,000. In addition the windows, window frames, screens, and other fixtures in the building are in bad shape and need to be repaired.

Both the ladies' and gentlemen's solariums have been removed and will have to be rebuilt.

In settlement the price offered by Mr. Frazure includes not only the painting of the building, as he represents it, but is also in payment for blankets, bed pads, refinishing of the furniture, and the purchase of shower curtains.

If I am forced to settle with the Army at their price and have to repair the building, it will mean that I will have received a rental of \$5,000 for 8 months of occupancy, out of which I must pay my insurance, taxes, and the interest on the mortgage, which I cannot do, and will be required to add money thereto to meet these obligations.

In addition to the above picture I wish to advise that I was given permission to store certain personal property in one of the closets in the hotel. This has been broken into, and personal property removed therefrom.

If there is any further information you might need, please do not hesitate to call upon me.

Very truly yours,

DAVID SHAPIRO.

EXHIBIT No. 1073

SUNSHINE ESTATES, INC.,
Miami Beach, Fla., January 8, 1944.

TRUMAN COMMITTEE,
Wofford Hotel, Miami Beach, Fla.

DEAR SIRS: We have read some of the testimony before your committee regarding the leasing and occupancy by the Army of the various hotels and apartments. To save time, we are informing you of our experiences and feel that we should be compensated for our losses, if you determine at the conclusion of the evidence.

We were offered \$3,200 per year for the duration, but now the apartments have been returned. Although not in use since October or November, and could have been returned to us for this season, thereby alleviating the house shortage, and compensate us for some of our losses.

The offered amount of \$3,200 which was accepted was based as they told us on the fact that the 20 rooms would accommodate 2 men each, but we found about 70 or 80 men in them. They also occupied the 9 kitchens and 1 of the bathrooms, which was a large one.

We were told that if we did not accept this offer our apartments would be condemned and get much less, and the streets would be blocked and could not get to them.

We are not blaming in general the Army or the post engineers, but someone who did the dirty work under veiled threats, and think the apartments taken last, in which ours is included, did not get as much as the ones first taken.

Very truly yours,

SUNSHINE ESTATES, INC.,

EXHIBIT No. 1074

TOM DUPREE, INC.,
Miami Beach, Fla., July 31, 1943.

Re Surf and Sand Apartments.

MR. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: This property was taken over by the Government on November 19, 1942, and they agreed to pay \$11,000 per year rental. The lease was the ordinary Army lease with a 30-day cancelation clause, and cancelation notice was given, effective as of July 31, 1943.

The damage to this property was terrific, and the cost of rehabilitating it would amount to some \$5,000 or \$6,000, for which the real-estate projects office offers \$2,500.

The Army still wants to settle on the basis that the owner shall pay about nine thirty-sixths of the cost of the rehabilitation, claiming that properties would have to be rehabilitated every 36 months and as the owners received about 9 months' rental, the owners' share therefore should be about 25 percent.

Under civilian use there probably would have been no material damage for the 9 months' occupancy that could not have been corrected for a few dollars. The net results are just the same as they are in the Midtown Hotel. The position of the Government is identical. They do not want to pay for damage to the lawn, neither do they want to pay for any damage to the exterior of the property, and the owners of necessity are forced to suffer a big loss for the privilege of permitting the Government to occupy these properties.

It was implied by the negotiators when these properties were taken over that there would only be one occupant for every 60 square feet of room space, and the owner's rental was predicated upon this occupancy. In most cases the

Army placed on the premises three or four times as many men as they said would occupy the property, the damage therefore accruing being progressively much more than would normally be expected under civilian use.

There is no disposition on the part of the post engineers of the real estate projects office down here to meet with the owners on an aboveboard, fair, and square basis. Their position is more or less punitive. Their method of dealing would leave one to suspect that the owners of these properties were enemies instead of friends.

Very truly yours,

SURF AND SAND APARTMENTS,
By THOS. O. H. DUPREE, Agents.

EXHIBIT No. 1075

SURFSIDE,
Miami Beach, Fla., July 14, 1943.

Re Surfside Hotel.

Mr. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
Miami Beach, Fla.

DEAR MR. RASCO: With reference to the Surfside Hotel, located on the ocean at Twenty-fifth Street, Miami Beach, Fla., of which we are the owners, may we say that this is confirmation that we desire to have a readjustment of rental on this hotel. The amount now being paid to us is inadequate.

We urgently request that an impartial committee be appointed to adjust our claims equitably.

Very truly yours,

J. H. MILLER.

HENDERSONVILLE, N. C., July 10, 1943.

Mr. W. G. WARD,
Ward & Ward, Miami, Fla.

DEAR MR. WARD: A copy of your letter to the Miami Beach Hotel Owners Association, dated July 6, 1943, has been forwarded to me. I have read it carefully and find it of considerable interest.

Of course Colonel O'Brien's attitude and his justification of his subordinates' acts are well understood, although this mental barrier does not prevent recognition of the inconsistency of many of his contentions.

While, as we know, our cases vary in principle and amount as well, the over-all pattern of the Miami Beach hotels situation is so clearly unjust, that the War Department's refusal to let an impartial committee decide the issue becomes quite obvious.

Let us, for instance, take the case of the Surfside Hotel and Annex, which is but one of the many. As you may remember, I own this property together with Mr. Miller.

According to your report, Colonel O'Brien stated, among other remarks—
“* * * the entire matter has been passed upon by the Military Affairs Committee of the House, first on October 20, 1942, being House Resolution No. 30, House Report No. 2588, and * * * etc.”

From this House Report No. 2588, a copy of which I have before me, reading from pages 4 and 5, I quote:

“* * * The War Department is paying annual rentals higher than the commercial leases for only two hotels * * *. In those instances, however, it should be noted that the commercial leases were for a period of 10 years, whereas the War Department leases are for the duration of the emergency, with a 30-day cancelation clause.”

From this we may take that the War Department is authorized to pay a higher rental than that of a commercial lease, provided such commercial lease was for a prolonged period of time, such as 10 years, rather than the 1-year term, as negotiated by the Government.

The Surfside Hotel was leased for a period of 10 years, beginning with August 1, 1939, and until July 31, 1949, at an annual rental of \$51,000. The lessees secured performance of the terms and conditions of that lease by the payment in advance of \$12,500 in cash and \$7,500 spent by them on improvements, as security and in addition to the regular rental payments.

The Surfside Annex was leased for a period of 5 years, beginning with November 1, 1937, and until October 31, 1943, at an annual rental of \$6,000. Inasmuch as the lessee was a nationally known stock brokerage house, highly responsible and signing the lease as such, no security was required.

Neither of these two leases contained a cancellation clause, but did oblige the tenants to return the properties, upon expiration of the respective leases, in the same condition as existed when possession was given, ordinary wear and tear alone excepted.

Now then, the Government obtained possession of the Surfside Hotel under a 1-year lease, with a 30-day cancellation clause, at \$36,500, or at 28½ percent under the rental price paid under an existing commercial lease; the property furthermore having been put to a use far in excess of that which we were assured of prior to giving possession to the Government. In addition, we are obliged to pay to the former lessees, interest at the rate of 2½ percent per annum on the \$50,000 security and furthermore, under the agreement between these former lessees and ourselves for the suspension of the commercial lease during the Government's tenancy of the premises, we will be losing yearly the difference of rental as formerly paid by them and as now paid by the Government, for such period of time as the Government may retain the premises, as upon reinstatement of the former tenants, they need to keep the property only until July 31, 1949, the original expiration date of the lease and not for such an additional period as the Government may have retained the premises.

Therefore, on the Surfside Hotel, instead of receiving an amount higher than that paid under a 10-year commercial lease, we actually get \$14,500 less per year from the Government, we have to pay out of this lesser rental \$1,250 per year for interest on the former tenants' security, aside from other losses we are threatened to suffer.

On the Surfside Annex it appears that we are receiving approximately 20 percent more in rent from the Government than what we did receive from the former commercial tenant. The fact is that we had to pay the former tenant a sum of \$2,000 in cash in order to obtain possession of this property for the Government, so that our net rental receipt for the first year of the Government's tenancy was only \$5,250, as compared with \$6,000 previously received from the commercial tenant, and under a long-term lease rather than a year-to-year lease with a 30-day cancellation clause.

Inasmuch as the Surfside Hotel property is on the ocean front, in one of Miami Beach's best locations, even from the Army's point of requirement, as the building is a triple-A fireproof structure, containing every conceivable facility and perfect layout, also from the point of Army occupancy, to an extent where it was one of the places so well fitted for the Army's use that no alterations, changes, or additions were necessary to be made by the Army, it would be of considerable interest to us to know Colonel O'Brien's justification for this gross departure from the rule for payment of rental, such as set forth in the House Report No. 2588, upon which the colonel seems to lean so heavily.

As for House Report 132, House Resolution 30, dated February 17, 1943, pages 8 and 9, dealing with the case of Greenbrier Hotel in West Virginia and also Stevens Hotel, Chicago:

It seems that the question of cost of restoration of properties used by the Army, putting such properties back into such shape as to again facilitate commercial peacetime use, the cost of such restoration seems to be clearly acknowledged and set forth. What good and sound reason could Colonel O'Brien have to deny that the same situation, by percentage, will hold true with hotel property elsewhere in this country, including Miami Beach. And if that is true, why would the Government make good in one section of the country and refuse to do the same in another?

Perhaps Colonel O'Brien can still be persuaded to approach our matters in the impartial manner as we know it would be handled by an impartial committee of fair-minded men, a privilege which he has thus far denied us. It is not quite conceivable to me that such men as Senator Pepper, the top ranking officials of the War Department, or the members of the Truman committee would permit themselves to be pushed around by subordinates, though of high rank or responsibility, particularly where cases of discrimination and injustice stand forth as clearly as in our cause.

Please feel free to call on me if there is anything I can do further in this matter.

Kindest personal regards.

Yours sincerely,

BRUNO WEIL.

OPTION FOR LEASE

In consideration of the sum of \$1 and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the undersigned, hereinafter called the lessor, who represents that he is the owner of the property herein-after described, hereby, for himself (itself) and his (its) heirs, executors, administrators (successors), and assigns, offers and agrees to lease to the United States of America, in accordance with the terms and conditions set forth below, the land, with the buildings and improvements thereon and all rights and appurtenances thereto, described as follows:

All that property known as Surfside and Surfside Annex Hotels, 2457 Collins Avenue, Miami Beach, Fla.

The terms of this offer are as follows:

1. The rental for the described property shall be \$43,750 per annum for the period April 12, 1942, to June 30, 1942, plus an additional sum in payment of the following articles, equipment, and contents of the said hotel, viz.: sheets, pillowcases, shower curtains, towels, bath mats, kitchen utensils (pots and pans), _____, _____, such articles named becoming the property of the Government. Such additional sum shall be determined by negotiation between the parties and inserted in the lease when drawn. The annual rental after June 30, 1942, shall be \$43,750.

2. Lessor agrees to furnish, as part of the rental consideration, basic furniture now in the hotel such as beds, springs, mattresses, pillows, dressers, tables, chairs, blankets, kitchen equipment including chinaware, silverware, glassware, but excluding drapes, bed spreads, pictures, bric-a-brac, antiques, and lobby rugs.

3. Lessor will upon request immediately execute the War Department Standard Form No. 2 Lease, in compliance with War Department procedure, and in accordance with Army regulations, to include the provisions contained in this option for lease.

4. Lessor shall furnish to the Government at lessor's expense, a certificate of ownership, substantially in accordance with the form attached hereto, such certificate to be signed by a reputable attorney or abstract company, and shall be delivered to the Government at the time the lease is signed.

5. This option for lease shall expire at the end of 90 days from the date hereof.

6. Lease period to begin on date of occupancy by Government.

This first day of April 1942.

APPRAISAL OF THE SURFSIDE HOTEL AND SURFSIDE HOTEL ANNEX AT 2457 COLLINS AVENUE, MIAMI BEACH, FLA., BY E. D. KEEFER

MIAMI BEACH, FLA., May 31, 1943.

MR. BRUNO WEIL,

Miami Beach, Fla.

DEAR MR. WEIL: Pursuant to your request, I made a thorough inspection of the Surfside Hotel, and the Surfside Hotel Annex, at Miami Beach, Fla., on May 26, 1943, and I have made a careful investigation into matters pertinent to an estimation of the rental value of said properties as of May 5, 1942.

The appended report sets forth an analysis of pertinent data and the method by which the estimate of value is reached. The report contains a statement of the physical condition of both the real and personal property as of the inspection and the cost of rehabilitating the property to a condition similar to the condition at the time the property was leased to the United States Government.

The cost of rehabilitation has been estimated by men of long experience in the business of building construction and maintenance, and furniture and equipment repair and maintenance.

I hereby certify that in my opinion the rental value of the property known as the Surfside Hotel, as of May 5, 1942, was \$54,300, and the rental value of the property known as the Surfside Hotel Annex, as of May 5, 1942, was \$3,250.

I further certify that in my opinion the cost of rehabilitation, less fair wear and tear of the properties, based upon the condition of the said properties as of May 26, 1943, was, as to the Surfside Hotel improvements, \$12,150, and as to the furniture and equipment of the Surfside Hotel, \$14,322, and as to the Surfside Hotel Annex property, \$750.

Yours very truly,

E. D. KEEFER, M. A. I.

Report completed, May 31, 1943.

IMPORTANT CONCLUSIONS

A careful analysis and review of the data heretofore set forth supports the following conclusions.

As to the area: Growing rapidly in population and commercial and cultural activities.

As to the city: Growing very rapidly in permanent and seasonal population, and meeting the demand for housing of permanent and seasonal population, and related needs of such populations.

As to the neighborhood: Growing rapidly. Most exclusive and profitable ocean-front hotel district in the city.

As to the site of the hotel: Improved to its highest-best use. Above the average land area per guest room.

As to the site of the Hotel Annex: Underimproved.

As to the improvements: Surfside Hotel. Good physical condition except for extraordinary wear and tear and deferred maintenance. Layout of private and public space is compact and susceptible to efficient management for normal clientele. Surfside Hotel Annex: Good physical condition, taking age into consideration. Underimprovement of the site.

Property value: Surfside Hotel. Based upon past earning ability, reproduction cost new less depreciation, and market data, a value of approximately \$340,000 at the time of taking is indicated. Surfside Hotel Annex: On the same basis a value of \$75,000 is indicated.

Land value: Surfside Hotel site. On the basis of market data a value of \$112,000 at the time of taking is indicated. Surfside Hotel Annex site: On the basis of market data a value of \$75,000 at the time of taking is indicated.

Furniture and equipment value: Surfside Hotel. Based upon use value, \$61,500. Estimated value of furniture and equipment retained by the Army, \$41,530.

As to rental value: Surfside Hotel. As Army barracks \$54,300. Surfside Hotel Annex: As Army dispensary, \$6,250.

As to ratios between rental and market value: Surfside Hotel property. Pre-war rental of ocean-front and non-ocean-front hotels averaged 15.2 percent of sale price.

Rental herein estimated for the Surfside Hotel property, an ocean-front hotel (\$54,300), is 15.97 percent of indicated market value of the property. Pre-war rental of Surfside Hotel was 15 percent of market value herein indicated.

Damages: Surfside Hotel. Indemnity for extraordinary wear and tear to the improvements, \$12,150; to the furniture and equipment, \$14,322. Surfside Hotel Annex: Indemnity for extraordinary wear and tear, \$750.

LIMITING CONDITIONS

The covering letter or certificate of appraisal and following report are made expressly subject to the conditions and stipulations following:

No responsibility is assumed by the appraiser for matters which are legal in nature, nor is any opinion on the title rendered herewith. This appraisal assumes good title and competent management. Any liens or encumbrances which may now exist have been disregarded and the property has been appraised as though no delinquency in the payment of general taxes or special assessments exists, and as though free of indebtedness.

Possession of this report of any copy thereof does not carry with it the right of publication, nor may the same be used for any purpose by any but the applicant without the previous written consent of the appraiser or the applicant, and in any event, only in its entirety.

The appraiser herein, by reason of this appraisal, shall not be required to give testimony or attendance in court or at any governmental hearing with reference to the property in question.

The appraiser herein has no present or contemplated interest in the property appraised.

Employment of E. D. Keefer, M. A. I., to make the attached appraisal is in no manner contingent upon the value reported.

The values for land and improvements as contained in the within report are constituent parts of the total value reported and neither is to be used in making a summation appraisal by combination with values created by another appraiser. Either is invalidated if so used. The current purchasing power of the dollar is the basis for the value reported.

The appraiser herein certifies that to the best of his knowledge and belief, the statements and opinions contained in this appraisal, subject to the limiting conditions above set forth, are correct; also that this appraisal has been made in conformity with the standards of practice of the American Institute of Real Estate Appraisers of the National Association of Real Estate Boards.

Qualifications of the appraiser are appended hereto.

E. D. KEEFER, M. A. I.

QUALIFICATIONS AND EXPERIENCE OF E. D. KEEFER, MEMBER AMERICAN INSTITUTE

Member of the American Institute of Real Estate Appraisers.

Senior member of the Society of Residential Appraisers.

Graduate of advanced courses in appraisal science and procedure held under the auspices of the National Association of Real Estate Boards at the University of Chicago in 1936; at the University of Pennsylvania in 1939, and at Yale University in 1940.

Official appraiser for the Miami Beach Board of Realtors for the past 5 years.

Official appraiser in the southeast Florida district for the Connecticut Mutual Life Insurance Co., of Hartford, Conn.

Qualified as an expert witness in real-estate valuation before the Federal and circuit courts in Dade County, Fla.

President of the Miami Beach Board of Realtors in 1939.

Director of the Miami Beach Board of Realtors for the past 8 years.

Vice president of the Florida Association of Real Estate Boards in 1940.

Author of various articles on phases of appraisal procedure and technique published in technical journals having national circulation.

Liquidator of the Miami Beach Bank & Trust Co. in 1930 and 1931.

Twenty years experience in the general real-estate brokerage business in the Greater Miami area.

Chief evaluator for the Air Corps Technical Training Command at Miami Beach in March, April, May, 1942.

Fifteen years experience in real-estate appraisal and court testimony in the valuation of real estate for all purposes including condemnation, zoning, city planning, market value, inheritance, gift, and other tax purposes.

Aggregate value of real-estate appraised during the past 2 years.—Homes, hotels, apartment buildings, terminal warehouses, theaters, improved industrial and commercial properties, golf courses, vacant commercial and industrial, groves, and acreage having an aggregate value in excess of \$60,000,000.

Some employers of this appraiser's services

Attorneys:

Shutts, Bowen, Simmons,

Prevatt Julian.

Yonge Anderson.

Henry D. Williams.

Charles B. Cleveland.

William Muir.

H. F. Ward.

E. L. Lockhart.

Daniel P. Galen.

M. L. Mershon.

Shepard Broad.

Estates:

William Horlick.

E. H. Maytag.

Thomas J. Pancoast.

Irving A. Collins.

Harry Race.

Henry Levy.

B. F. Vincent.

Henry D. Ridgely.

United States Army.

United States Navy.

Some employers of this appraiser's services—Continued

Individuals or firms:

City of Miami Beach.
 Sinclair Oil Co.
 Florida Power & Light Co.
 Miami Beach First National Bank.
 Northern Trust Co., Chicago.
 N. B. T. Roney.
 Malone Properties, Inc.
 S. S. Kresge.
 Byron S. Miller.
 Alfred I. Barton.
 Mark C. Honeywell.

PART II. ANALYSIS AND CONCLUSIONS

THE PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the rental value of the property herein appraised as of May 1942. Rental value is defined as the worth for a stated period of time of the right to use and occupy property; the rent which a prospective tenant is warranted in paying for a stated period of time, for the right to use and occupy certain described property under certain prescribed or assumed conditions.

THE LEGAL DESCRIPTION

The property under appraisement is legally described as follows:

Lots 4 and 5 of block 4 as the same are shown by an amended plat of the ocean-front property of the Miami Beach Improvement Co., recorded in plat book 5 at pages 7 and 8, in the office of the clerk of the Circuit Court in and for Dade County, Fla.; also, all that tract of land lying and being between the north boundary line of said lot 5 and the south boundary line of said lot 4, in block 4, as produced westerly to the lake, as shown by said plat, and lying between Collins Avenue and said lake, together with all riparian rights adjacent and appurtenant thereto, and also all submerged land lying between the tract above described and the inner edge of the channel of said lake; also, that certain parcel of land lying east of Miami Beach Drive in the city of Miami Beach, Fla., and bounded on the west by said Miami Beach Drive and on the east by the Atlantic Ocean, and bounded on the north by an extension of the north boundary line of lot 5, and on the south by an extension of lot 4 of block 4 of said ocean-front property of the Miami Beach Improvement Co., to the waters of said Atlantic Ocean, together with all riparian rights and water privileges thereunto belonging or in anywise appertaining; otherwise known as the Surfside Hotel property, together with the furniture, furnishings, fixtures, and equipment situate upon said premises.

Also: Lot 6 of block 4 of the ocean-front property of the Miami Beach Improvement Co., as the same is shown by an amended plat of said ocean-front property recorded in plat book 5 at pages 7 and 8, in the office of the clerk of the Circuit Court in and for Dade County, Fla., the said lot having the same description as to outlots, riparian rights, and submerged lands as lots 4 and 5 above described.

AREA DATA

Greater Miami is a metropolitan area composed of 14 separate municipalities, surrounded on the south, west, and north by horticultural, agricultural, and dairying lands, and on the east by Biscayne Bay and the Atlantic Ocean.

The retail trade area of Greater Miami extends over 12 counties in the southern part of Florida, i. e., 140 miles north, 150 miles west, and 170 miles south to Key West.

There has been a tremendous development of the area during the past 8 years in dollar volume of trade, building construction, and population. The growth of the area as an aviation center and transfer point between North and South America during the past few years has been one of the outstanding developments.

The housing, feeding, and entertainment of seasonal visitors, both summer and winter, has been the principal business in the area. The rapid growth of

this business has created much employment, especially in the building construction industry.

Miami, Miami Beach, and Coral Gables are the three largest municipalities in the area and rank in size in the order named. Comparative population statistics for these three cities are as follows:

	Miami	Miami Beach	Coral Gables
1920.....	29,571	644	-----
1930.....	110,637	6,494	5,697
1940.....	172,172	28,012	8,294

Building construction statistics for the period 1934-42, based on dollar volume of building permits issued, are as follows:

	Miami	Miami Beach	Coral Gables
1934.....	\$2,810,092	\$5,478,159	\$291,655
1935.....	5,515,940	9,572,852	513,102
1936.....	12,614,824	12,526,107	1,463,300
1937.....	14,003,704	10,809,508	1,212,595
1938.....	12,009,757	7,075,806	1,807,450
1939.....	16,825,532	11,406,814	1,189,748
1940.....	15,214,518	15,950,535	1,750,645
1941.....	13,500,000	9,305,052	1,431,771
1942.....	2,655,887	565,009	705,983

Suffering from a lack of materials under war priorities in 1942, new construction in Miami was 19.8 percent of 1941 volume, and in Miami Beach, 6 percent of 1941 volume.

CITY DATA

Miami Beach is the ocean-front district of the Greater Miami area and has grown in population from 644 in 1920 to 28,012 in 1940.

This city has 335 hotels with over 21,000 rooms and 542 apartment units; and 920 apartment houses containing over 9,800 units divided into approximately 23,000 rooms.

The area of Miami Beach north of the ship channel is 4,258.29 acres, 2,922.36 acres or 68 percent of which are improved.

Building permits issued in the city during the period 1935 to 1942, inclusive, amounted to \$77,136,276 or 54 percent of total building permits issued in the city since 1920. Homes, hotels, apartment houses, and retail stores built during this 8-year period amount to 82 percent of this 8-year total. Homes were 32 percent of the total; hotels were 24 percent; apartments were 21 percent, and retail stores were 5 percent. The normal housing capacity of the city is approximately 80,000 persons at one time.

As of October 1, 1942, Miami Beach real estate was assessed for tax purposes at \$80,652,500; bonded indebtedness was \$5,470,000; municipal assets were \$11,770,700.75.

The city tax rate has been reduced from 27 mills in 1941 to 24 mills for the year 1942. The assessed value is theoretically approximately 50 percent of the market value.

Dade County assesses real and personal property at theoretically 100 percent of its market value. The Dade County tax rate for the Miami Beach district in which the subject property is situated has been reduced from 13.6 mills in 1941 to 10.8 mills for 1942. There is no State ad valorem tax on real or personal property.

The per capita wealth of the citizens of Miami Beach is above the medium economic level, and the per capita wealth of visitors to Miami Beach is from medium to the highest economic levels.

As of November 1942, approximately 90 percent of the hotel guest rooms and 20 percent of apartment house living units in the city were occupied, or shortly to be occupied by the United States Army Air Force units.

During the 7 years ending December 31, 1942, the record of construction and sales of real estate situated in the city of Miami Beach was as follows:

Buildings constructed, buildings sold, lots sold

[Years given for which records have been kept]

	1936	1937	1938	1939	1940	1941	1942
Homes built.....	320	274	239	252	313	234	7
Homes sold.....			192	246	353	322	296
Hotels built.....	33	23	15	47	42	32	0
Hotels sold.....			5	14	23	10	5
Apartment buildings built.....	125	87	68	79	192	67	0
Apartment buildings sold.....			33	50	68	50	24
Commercial buildings built.....	52	31	33	28	49	25	1
Commercial buildings sold.....					7	13	4
Lots sold.....			474	664	993	603	180

Total dollar volume of real estate sales

Year:	Sales	Year:	Sales
1936.....	\$17,460,270	1940.....	\$32,751,625
1937.....	25,203,920	1941.....	21,789,727
1938.....	14,148,210	1942.....	11,955,555
1939.....	17,120,130		

The property under appraisal being a hotel, the following statistics are pertinent:

Hotel construction at Miami Beach

	Rooms added	City	Ocean front	21st to 44th Streets on and near the ocean
Year:				
1937.....		1,358	303	438
1938.....		929	112	286
1939.....		3,398	288	501
1940.....		2,976	550	899
1941.....		2,115	525	777
1942.....		0	0	0
Total.....		10,776	1,778	2,901

There are 335 hotels, old and new, in the city with approximately 21,000 guest rooms. Approximately 50 percent of the hotel rooms in the city were provided in the 5-year period 1937 to 1941, inclusive.

Sales during the first 3 months of the years noted are contrasted below:

	Homes	Hotels	Apartmentments	Commercial	Lots
1940.....	100	4	12	-----	271
1941.....	93	1	7	-----	205
1942.....	83	3	6	3	37

The neighborhood of the subject property lies between the ocean and Indian Creek and runs from the Roney Plaza Hotel at Twenty-third Street north to the beginning of a single-family-home restricted district at Forty-fourth Street.

This is the most popular and exclusive hotel district in the Greater Miami area. Formerly characterized by single-family homes, practically all of the hotels and apartment buildings in the neighborhood have been built during the past 5 years.

As a hotel and apartment-house district, the neighborhood is well protected by Indian Creek from the cheaper accommodations "just a few steps farther from the ocean."

The neighborhood has all modern conveniences, such as light and power, gas, sanitary sewers, storm sewers, ocean-front steel bulkhead, paved streets, concrete curbs, gutters, and sidewalks.

The land in the neighborhood south of Thirtieth Street and east of Collins Avenue is zoned to permit high-class retail stores. There has not been much

advantage taken of this privilege, principally because retail-store use is not the highest, best use of the land.

SITE DATA

The site of the Surfside Hotel and Annex extends south from Twenty-sixth Street for 215 feet and includes all lands between Lake Pancoast and the waters of the Atlantic Ocean except Collins Avenue and the concrete promenade rights-of-way.

The annex occupies the north 75 feet of the tract. The hotel occupies the south 140 feet of the tract.

See legal description and neighborhood map for location, dimensions, and orientation of the land.

HISTORY AND DESCRIPTION OF THE PROPERTY

The Surfside Hotel was built in 1933. It was operated by the owner until 1933 when it was sold to the present owner, fully furnished and equipped, for a consideration of \$320,900.

The new owners made extensive alterations to the ground floor. The owners' investment in the property, as of May 1942 was the cost of the property plus the alterations at cost, amounting to \$343,342.

The property was leased in August 1939 for a 10-year term at an annual rental of \$51,000. This lease was secured by a cash deposit of \$50,000 upon which the owner paid 2½ percent interest. The lease prescribed that the lessee would at his own expense, pay the cost of keeping the interior of the building and the contents in good physical condition and return to the owner in such a state, less fair wear and tear. The owner to pay, at his own expense, the cost of maintaining the exterior of the building.

On May 5, 1942, the property was optioned by the United States Army and a lease executed May 11, 1942, to the United States Army provided for a 1-year lease at a rental of \$36,500. This lease included a 30-day cancellation clause, and an option to renew the lease until an expiration date of 6 months after the cessation of hostilities. The United States Army retained a portion of the furniture and equipment. The furniture and equipment not retained for use by the Army was stored in the kitchen and a portion of the ground floor. A portion of it was stored, at the expense of the owner, outside the premises.

The hotel is a seven-story fireproof structure. Floor plans of the ground floor, the lobby floor, and a typical floor are exhibited on the previous pages of this report.¹ These exhibits show many details of materials used in the construction.

The hotel rests on reinforced concrete spread footing and foundation walls. Framework, floors, and roof are concrete. Exterior walls are filled in with concrete blocks and masonry. Partitions are lath and plastered wood frame. Ceilings are exposed concrete beams and concrete slab. Exterior walls are stuccoed.

The roof is surfaced with a built-up composition and gravel.

Windows are double hung, six-light, wood sash. Screens are wood frame and copper screening. Bathrooms have standard fixtures, hextile floors, and tile base. There is a tile base in all corridors. Trim is wood. Electrical fixtures are standard and modern design.

The stairway on the north end of the building is concrete and on the interior of the structure. There is a steel stairway and fire escape at the south end and on the exterior of the structure. The building has two passenger elevators, an oil-burning hot-water heating system. Heat for the building is supplied with steam radiators in the corridors, public spaces, and a fireplace in the lobby.

In the opinion of the appraiser the building lay-out is susceptible to efficient operation for the use for which it was intended. It is the appraiser's opinion that the improvements represent the highest-best use of the site.

As of the date of inspection of the property, May 26, 1943, the improvements were in good physical condition with the exception of extraordinary interior wear and tear to plumbing and electrical fixtures, the trim, sills, baseboards, the screens, the plaster, and paint.

The furniture and equipment evidenced extraordinary wear and tear. To put the furniture and equipment back into a condition that will permit successful and normal operation, bedding should be replaced, or if in the event this is impossible because of shortage of labor and materials, or priorities on materials, mattresses and pillows will have to be renovated and re-covered. Much of the carpeting will have to be replaced.

¹ Not printed.

All wood furniture will have to be refinished, and in some cases, where too badly scratched, or burned with cigarettes, replaced. There will be the same difficulty experienced in labor and materials with respect to this work.

This extraordinary wear and tear was caused by the fact that the room occupancy in normal operations averages about 1.5 persons per room, while as Army barracks, the appraiser estimates, by counting beds and Army double- and single-deck bunks, that the room occupancy under Army operation was approximately 4.5 persons per room.

The appraiser counted as many as eight beds, bunks, and cots in many of the upper-floor rooms. The normal clientele has plenty of time and plenty chairs and other furniture and equipment for each person. With an average of 4.5 soldiers per room and all of the furniture and equipment removed from the room but beds, chairs, bureaus, and carpets, the soldiers being in a great hurry much of the time, they were bound to use the furniture for footrests, the beds to recline on while waiting for the baths, etc. In the rooms where there were six to eight beds and bunks, chairs were removed. Under such conditions of room occupancy all of the electrical and plumbing fixtures, valves, etc., received extraordinary wear and tear.

The appraiser has called in an expert building-maintenance and repair man, and an expert furniture- and equipment-maintenance and repair man, to estimate the extraordinary wear and tear to the building, furniture, and equipment, and measure it in terms of dollars.

It should be mentioned that the hotel had a central switchboard, and telephones in each guest room. The Army has removed all telephone instruments in the guest rooms. These instruments have been disposed of. The local manager of the telephone company is of the opinion that it will take a very long time to get the equipment for reinstallation.

As to the Surfside Hotel Annex.

The Surfside Hotel Annex is a two-story poured-concrete structure on reinforced-concrete spread footings and foundation walls. It was built in 1914 for use as a single-family home and was used for that purpose until shortly before it was sold in 1937 to the then owner of the Surfside Hotel.

The property was purchased by the present owners of the Surfside Hotel in March 1939 for a consideration of \$75,000, subject to a 5-year term lease which expired in October 1942 and for which the annual rental was \$6,000.

The lessee was a stock-brokerage firm, which utilized the first floor of the structure as offices and the second floor, consisting of four bedrooms and three baths, as living quarters.

In May 1942 the property was taken by the United States Army and utilized as a medical dispensary. The terms of the lease were the same as for the hotel. The annual rental called for in this lease was \$7,250.

Taking into consideration the age of the improvements, they were in good physical condition at the time of the taking and as of the date of the inspection (May 26, 1943) the cost of rehabilitation and reconversion to normal use would be approximately \$750.

With respect to the terms of the pre-war leases, and the Army leases, the following should be taken into consideration:

The Army lease is for a term of 1 year with a 30-day cancellation clause and an option to renew for an indefinite period. The pre-war leases were for 10 years on the hotel and 5 years on the hotel annex.

It is general practice to lease at a lower rental per annum for a long-term lease than for a 1-year lease. No commercial leases of hotels are made with a 30-day cancellation clause. In general practice, on a 1-year lease the owner puts the property in good condition. The lessee takes the property as is and makes no repairs or replacements either to the building, the furniture, or equipment during the term of the lease. The property is returned to the lessor upon the expiration of the lease in the condition taken less wear and tear.

In general practice the owner greatly prefers the long-term lease. The lessor delivers possession of the building, furniture, and equipment in good going-concern condition. The lessor takes care of exterior maintenance and repair of the building. The lessee pays all costs of maintenance and repair for the interior of the building and for the furniture, furnishings, and equipment during the term of the lease. The lessee returns the property to the owner in the condition received less ordinary wear and tear.

There is one factor which has not been mentioned which should be taken into consideration in establishing the rental value of the property.

The Army did not need all of the furniture and equipment in the hotel.

The appraiser has inspected the furniture and equipment which the Army retained and estimated the value of such furniture and equipment to be \$41,530, and the value of the furniture and equipment which the Army did not retain at \$19,970.

The furniture and equipment not retained by the Army consisted of all kitchen and dining-room furniture and equipment, all lobby furniture and equipment, all drapes, corridor carpets, night tables, floor lamps, etc.

Much of this furniture and equipment was stored in the kitchen and certain rooms on the ground floor of the hotel, some of it was stored outside the premises.

There was no demand for most of this furniture. The owner was obliged to keep some of it, such as kitchen equipment, because of the difficulty of replacing it when normal operation of the hotel would be possible.

With regard to the linens, the Army purchased all linens, at 60 percent of cost. Linens have not only increased in price 40 to 50 percent, but they will be difficult to replace.

STATEMENT OF ASSESSED VALUE AND TAXES

The assessed value and taxes levied on the properties under appraisement for the year 1942 were as follows:

SURFSIDE HOTEL

Assessed value:

City:

Improvements	\$50,200
Land	\$35,000
Personal	\$6,000
Rate	24 mills
Taxes	\$2,188

County:

Improvements and land	\$242,000
Personal	\$24,000
Rate	10.8 mills
Taxes	\$2,572.80

SURFSIDE HOTEL ANNEX

Assessed value:

City:

Improvements	\$4,000
Land	\$25,000
Personal	None
Rate	24 mills
Taxes	\$717.60

County:

Improvements and land	\$66,800
Personal	None
Rate	10.8 mills
Taxes	\$721.44

Ad valorem taxes on real estate and personal property by the State was abolished by the 1939 legislature.

The city, theoretically, assesses property at 50 percent of its fair market value. The county, theoretically, assesses property at 100 percent of its fair market value.

The city tax rate was reduced from 27 mills in 1941 to 24 mills in 1942. The county tax rate was reduced from 13.6 mills in 1941 to 10.8 mills in 1942.

EVIDENCES OF VALUE

As evidences of value, hotel sales and leases, and land sales and leases effected during the years 1938 to 1942, inclusive, have been taken into consideration. Unless otherwise noted every sale and lease taken into consideration is of a property with Ocean and Collins Avenue frontage, and in the case of improved properties, furnished and equipped.

The districts under consideration are that area lying between Collins Avenue and the ocean between Fifteenth Street and Twenty-first Street, and that area lying between Collins Avenue and the ocean between Twenty-fourth Street and

Forty-fourth Street, which for the purpose of this report will be designated as districts No. 1 and No. 2, respectively.

District No. 1.

There are 18 separate hotel buildings in district No. 1, 14 of which contain 1,395 guest rooms and occupy plots having ocean and Collins Avenue frontage, two of which have ocean and side-street frontage and contain 175 rooms, and two of which have Collins Avenue and side-street frontage and contain 154 rooms. All buildings in the district were built during 1938-41, inclusive.

In this district 1 hotel sale, 4 leases, 10 land sales and 3 long-term land leases, all effected in 1939, 1940, and 1941 have been taken into consideration.

With respect to the hotel sale, which was effected in 1941, the land occupied was a corner plot running from Collins to the ocean. The sale price per room was \$3,850. The sale price per room, deducting land value, was \$2,718. This property had 440 square feet of land area per guest room.

Market data with respect to hotel sales is limited to the sale of this hotel. There were 52 hotels sold in the city during 1939-41, inclusive. The reasons for only one hotel in this district being sold during the period, in the opinion of the appraiser, were in part, because the hotels were all new and at the peak of their earning ability; in part, because there was need for additional hotel facilities and abundant mortgage money at reasonable interest rates for this type of investment; in part, because the hotels in this district were the largest properties of the type in the city on the most costly ground, which narrowed the market; and in part, because asking prices were higher than reproduction cost new.

With respect to hotel leases, four 10-year term leases were taken into consideration. One of the leases was for an ocean-front corner site without Collins Avenue frontage, one was for a Collins Avenue corner site without ocean frontage, and two were for inside plots with Collins Avenue and ocean frontage.

The first leased at \$436 per room per year, the second at \$367 per room per year, the third and fourth leased at \$416 and \$380 per room per year respectively. This is an average of \$399 per room per year in this district. The difference in rental rates for the two inside-plot located hotels was principally because of a greater area of public space per guest room in the former.

Most of the hotels in the district were owner operated because they were new and at the peak of their earning ability; because in some cases the owners had small equities and desired to make the lessee's profit; and because in most cases the owner was an experienced hotel operator.

With respect to land sales, five inside plots running from Collins Avenue to the ocean were considered. These plots varied in width from 62 to 100 feet, and constituted a total of 402 feet of frontage. The average price paid per front foot was \$929, the higher price per front foot being paid for the narrower plots. The average price paid per square foot was \$2.32.

Five sales of corner plots running from Collins Avenue to the ocean were considered with a total of 510 feet of frontage. The average price paid per front foot was \$1,029 or approximately 11 percent more than the average price per front foot for inside plots. The average price per square foot was \$2.57. The widths of these plots varied from 100 to 110 feet.

With respect to land leases, three inside plots with a total of 172 feet of frontage and varying from 55 to 62 feet were considered. These plots were all leased on 99-year terms. The rental for the first 10 years of the term averaged \$1.43 per front foot and \$0.35 per square foot. The rental graduated upwards in each case beginning with the eleventh year.

Land lease rentals were quite high. For the inside plots mentioned they averaged 15.3 percent of the average price per front foot sale price. Lessees were of course obliged to pay the taxes on the land and any future assessments. One year advance rent was invariably paid.

Insufficient capital to buy the land and improve it properly prompted the lessee to lease on this basis, after a survey of the prospective profits from hotel operation in the district.

District No. 2.

There are 26 separate hotels in this district, 25 of which, containing 2,816 guest rooms, occupy plots running from Collins Avenue to the ocean and all but 2 of which are less than 10 years old.

In this district 2 hotel sales, 3 hotel leases, 5 land sales of rectangular-shaped plots with a total frontage of 800 feet, 3 land sales of irregular-shaped plots

with a total frontage of 770 feet, and 2 land leases of rectangular-shaped plots with a total frontage of 400 feet, were considered.

With respect to the hotel sales, one, 3 years old, occupied a corner plot with 171 square feet of land area per guest room. The sale price per room, land, building, and furniture, was \$2,960, and deducting the value of the land, \$2,325. The other hotel is the subject property which was built in 1933 and was sold, furnished, in 1938, at the rate of \$2,567 per guest room for land, building, and furniture, and at the rate of \$1,751 per room for land and building, assuming a value of \$800 per front foot for the land. This property had 163 square feet of land area per guest room.

Market data with regard to ocean-front hotel sales in this district is limited to these two hotels. The same reasons apply for the scarcity of hotel sales in this district as in district No. 1.

With respect to hotel leases in this district, 2 10-year and 2 1-year leases were considered. Each of the hotels considered occupied plots with Collins Avenue and ocean frontage. For 2 of these hotels, occupying a total of 100 feet of frontage, the annual rental per room averaged \$397.50. These hotels had an average land area per guest room of 145 square feet. These were both 1-year leases.

A third hotel was leased unfurnished for a 10-year period at a rate of \$397 per guest room. It has 251 square feet of land area per guest room.

The fourth lease was the subject property which was leased in 1938 at a rate of \$414 per guest room. It has 163 square feet of land area per guest room.

The first three hotels were built in 1937, 1939, and 1941. In general, profit from the operation of hotels in this district had been greater in proportion to investment than in district No. 1. The owners had more substantial equities, hotels could be financed on better terms. The leases in this district were all of hotels with much less public space per guest room than the hotels leased in district No. 1.

With respect to land sales, all sales in the district which have been considered were for corner plots running from Collins Avenue to the ocean. Five rectangular-shaped plots were considered, having a total frontage of 800 feet. Three irregular-shaped plots were considered, having a total frontage of 770 feet. The average price paid for the rectangular-shaped plots was \$965 per front foot, and for the irregular-shaped plots was \$802 per front foot. The average price paid per square foot for the rectangular plots was \$3.78, and for the irregular plot \$4.06.

The average sale price per front foot for corner plots in district No. 2 was 94 percent of the average sale price per front foot for rectangular corner plots in district No. 1, whereas the average sale price per square foot for corner plots in district No. 1 was 68 percent of the average sale price per square foot for rectangular corner plots in district No. 2. Plot areas in district No. 1 were approximately 16 percent larger than the plot areas in district No. 2.

With respect to land leases, in proportion to available land there are fewer of them in district No. 2 than in district No. 1. Two land leases involving two plots, each with 200 feet of frontage, were taken into consideration. One of them is discarded because it was a lease from a holding company to one of its subsidiaries. The other one was for a 99-year term. For the first 10 years of the lease term the rental was \$105 per front foot and \$0.42 per square foot. Here again the rental per front foot was lower than in district No. 1 and the rental per square foot was greater than in district No. 1. Also the rental per front foot was 10.8 percent of the average price per front foot in land sales in the district. Considering sales of land in the immediate vicinity of this land lease, rental price was 10.5 percent of sale price.

In addition to the above evidences of value, there are a few instances of hotels being sold while they were under long-term leases. There are no such instances in the two districts above mentioned. There are two instances of large hotels in the 1200 and 1300 block on Ocean Drive. In one case a hotel with 115 rooms was leased in 1936 for 10 years at an annual rental of \$45,600 and sold in 1942 for \$300,000. This rent was 15.2 percent of the sale price. This hotel has 113 square feet of land area per guest room. In the other case the hotel with 103 rooms was leased in April 1940 for a period of 5 years at an annual rental of \$40,000 and sold in May 1940 for \$290,000. The rental was 13.8 percent of the sale price. This hotel has 126 square feet of land area per guest room.

As further evidence of value, the appraiser has knowledge of a new and modern hotel with 141 rooms in district No. 2 which was leased in 1942 at an annual rental of \$50,000 as a minimum guaranty, and further rent of 50 percent of rents taken in from rooms only, above \$1,200 per room per year. By April 30, 1943, this hotel had paid \$45,000 in rent above the minimum guaranty. This was at the rate of \$673 per room per year as rent.

Of the three hotels sold during the first 3 months of 1942, only one was in any way comparable to the subject property or any of the hotel properties in district No. 1 or No. 2. This hotel has been mentioned above. It has 115 rooms and 113 square feet of land area per guest room. It was built in 1936. It occupies an inside plot in the 1200 block on Ocean Drive. It was leased, furnished, and equipped in 1936 for 10 years at an annual rental of \$396.50 per room. It was purchased by the lessees in February 1942 for \$300,000, or 6.58 times the annual rental.

REPRODUCTION COST NEW ESTIMATE

The cost of reproducing the improvements new is estimated in the following manner:

Basement: 66,920 cubic feet at 30 cents per cubic foot.....	\$20, 076
Superstructure: 509,600 cubic feet at 37½ cents per cubic foot.....	191, 100
Total.....	211, 176
Plans, supervision, engineering, 7½ percent.....	15, 838
Direct cost.....	227, 014
Overhead costs:	
Interest during construction:	
6 percent on 50 percent of cost for 4 months.....	2, 270
5½ percent on 50 percent of cost for 3 months.....	1, 561
Insurance during construction.....	150
Legal and miscellaneous.....	250
Costs attributed to improvements.....	231, 245
Interest on land at 5 percent for 6 months.....	2, 800
Taxes on land for 6 months.....	1, 020
Miscellaneous charges to land.....	80
Total reproduction cost new, estimate.....	235, 145
Say.....	235, 000

REPLACEMENT VALUE INDICATION

Assuming an economic life of 33.3 years for the improvements, accrued depreciation would be 27 percent of cost as of May 1942, or the remaining value would be 73 percent of \$235,000, or.....	171, 550
Add the comparative value of the land.....	112, 000
Add the use value of the furniture and equipment.....	61, 500
Indicated replacement value, the property.....	345, 050
Say.....	345, 000

ECONOMIC APPROACH TO VALUE

The economic value of the property is indicated in the following manner:

Gross income.....	\$51, 000
Expense:	
Taxes, insurance, and miscellaneous.....	\$8, 883
Reserve for replacement of furniture and equipment, 10 per cent.....	6, 150
Reserve for building replacements of short-lived items.....	2, 350
Reserve for depreciation of improvements, 3 percent.....	7, 050
	24, 433
Net to owner.....	26, 567

The net income to the owner is allocated as follows:

Item	Value	Rate	Interest
Land.....	\$112,000	Percent 5	\$5,600
Improvements.....	171,500	8.64	14,817
Furniture and equipment.....	61,500	10.0	6,150
Total.....	345,000	7.7	23,567

Approaching the value of the property by treating the net income as an annuity for the remaining economic life of the improvements, finding the present worth of said annuity and adding thereto the reversionary value of the land, we find from the above estimates that the net income before depreciation of the improvements is \$33,617.

Being of the opinion that the net income will decline at the rate of approximately 2 percent annually, the present worth of the annuity is expressed by the following equation:

$$\$33,617 \times 8.86 \text{ (factor of 8 percent, 24 years, annuity declining at the rate of 2 percent annually)} = \$297,846$$

Assuming that the land will increase in value 20 percent during the next 24 years, the reversion is expressed in the following equation:

$$\$134,400 \times 0.3101 \text{ (factor of a 5 percent discount rate over a period of 24 years)} = 41,677$$

$$\text{Present worth of annuity plus land reversion} = 339,523$$

NOTE.—The assumption that the land will increase 20 percent in value during the next 24 years is based upon the past growth and development of the area and city, and especially upon the percentage of absorption of available ocean-front land zoned for hotel purposes.

Thus it is shown that at the time of the taking the value of the hotel property is estimated to have been \$340,000, and that \$51,000 per year rent is in line with rentals being paid for comparable properties.

In order to leave the condemnee whole and in order not to assign a value to the property which would be based upon the value to the user or the great and peculiar needs of the user or condemnor, the appraiser does not consider that the condemnee should be paid more rent because of the special adaptability of the facility for Army barracks use. It is, however, the opinion of the appraiser that the condemnee should be indemnified for the extraordinary wear and tear caused by the fact that the hotel is occupied 12 months in the year instead of the normal 5 months in the year, by 4.5 persons per room instead of the normal 1.5 persons per room.

Value is a function of time. The indemnity should include rental lost by reason of the time it will take to rehabilitate the hotel after it is relinquished to the owner. Also, the time at which the hotel is relinquished is of importance. If it is relinquished in the early spring, the owner will have ample time to rehabilitate before the following winter, the winter being the period when the income is taken in. If it is relinquished any time after October 1, the owner will be seriously hampered in completing rehabilitation in time to take advantage of the following winter business.

In this connection, it is the opinion of the appraiser that labor and materials for rehabilitation will be very difficult to secure, should the hotel be relinquished before cessation of hostilities, and for some time thereafter so far as materials are concerned.

The appraiser is of the opinion that the hotel is worth, as a minimum, as much rent after the taking as before the taking. This opinion is based upon the following considerations:

Value arises when there is scarcity, plus utility, plus demand, plus ability to pay. That there was a scarcity of comparable properties is evidenced not only by the fact that the Army took practically all of the comparable properties, but because in spite of the fact that the Army preferred comparable properties, it was forced to lease scores of apartment houses to meet its demands. That

there was greater utility then before the war is evidenced by the fact that in the case of all hotels taken by the Army, room occupancy increased, and in the case of the subject hotel, 300 percent. Necessity for housing of the type afforded caused by economic and political forces gave this property greater utility. That there was demand for the housing is evidenced by the fact that practically every hotel in the city and 20 percent of the apartment units were absorbed by the Army personnel. That there was ability to pay is evidenced by the fact that the purchasing power of the Government (the people) was increasing toward the highest point it had ever reached, and that this housing was a necessity.

That the hotel was worth at least as much rent after the taking as before the taking is also evidenced by the fact that the lessee was ready, willing, and able to continue with the operation of the hotel and pay the rent prescribed in the lease. There is no question but that the lessee would have been more able to pay the said rent if the hotel had not been taken by the Army, and that the hotel would have been worth more rent. However, this fact is not taken into consideration in establishing the rental value because it was a condition brought about by the Army's needs.

The appraiser has not attempted to estimate the market value of the property at the time of the taking because at that time there were no sales of comparable properties upon which to base an opinion, and also, by reason of the fact that in the opinion of the appraiser a sale under the conditions prevailing at the time of the taking would have been a reflection of market price and not market value, and further, because market value is not the value sought.

However, an indication of value is present in the sale of the hotel on Ocean Drive in the 1200 block which sold in February 1942 for a price which was 6.58 times the rental being paid at the time of the sale, said rental having been established long before the declaration of war.

This property is not comparable to the subject property in that it does not occupy ocean-front land, nor does it have ocean frontage and street frontage.

It is not comparable because it is in an older section of the city where the economic level of the normal clientele is below the economic level of the normal clientele of any large and comparable hotel in the vicinity of the subject property. There is every reason to believe that if a purchaser would purchase this hotel at 6.58 times the rental value he would pay at least the same ratio of rental value for the subject property, which would be \$335,580. However, this is one sale and the only sale of property after the declaration of war, and before the taking of the subject property, which might be compared with the property under appraisalment.

FINAL ESTIMATE OF RENTAL VALUE (SURFSIDE HOTEL)

The rental value of the Surfside Hotel property, after a review of all pertinent factors, is estimated as follows:

Base rent-----	\$51,000.00
Add 10 percent for additional risk because the War Department lease calls for a 1-year term with a 30-day cancelation clause, instead of the canceled 10-year term lease, guaranteed with a cash deposit of \$50,000-----	5,100.00
	<u>56,100.00</u>
Deductions:	
Rental value of storage and other space within the hotel retained by the owner-----	500.00
Depreciation on furniture and equipment not rented by the Army, but stored and not in use, \$19,970, at 3 percent-----	599.10
Rental value of the rentable furniture and equipment not rented by the Army; value, \$6,950, at 10 percent-----	695.00
	<u>1,794.10</u>
Estimated rental value-----	54,305.90
Say-----	54,300.00

9274 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

ECONOMIC APPROACH TO RENTAL VALUE—THE SURFSIDE HOTEL ANNEX

The rental value of the Surfside Hotel Annex property is reached in the following manner:

The improvements are obsolescent and an underimprovement of the site. The value is, therefore, estimated by the building residual process. This process is as follows:

Gross income, pre-war	\$6,000.00
Expenses:	
Taxes	1,439.04
Insurance	100.85
Repairs and maintenance, building and yard	270.00
Brokerage	300.00
Management	150.00
Interest on the value of the land, 5 percent of \$75,000	3,750.00
	<u>6,009.89</u>
Loss	9.89

In the opinion of the appraiser, the building had no pre-war value. The appraiser is of the opinion that at that time the cost of razing and removing the improvements would have been equal to salvage value.

The rental value of this property should increase after the declaration of war, for the improvements, having no pre-war value, would take on value because they furnished a commodity which was needed and could not be duplicated for the duration of the war because of wartime restrictions on building construction in this locality.

However, from available market data it is the opinion of the appraiser that over-all value would not increase. Economic conditions and wartime restrictions on construction caused value to flow from the land into the improvements. With the return of normal economic conditions and the lifting of restrictions of construction, this value will flow back into the land from the improvements.

We then have after the declaration of war the same value, namely:

Value	\$75,000.00
Value attributed to the land	67,500.00
Value attributed to the improvements	<u>7,500.00</u>
Interest on the land value, 5 percent	3,750.00
Interest on the value of the improvements, 8 percent	600.00
Taxes	1,439.04
Insurance	100.85
Repairs and maintenance, building and yard	300.00
Brokerage and management	<u>450.00</u>
Rental value estimate	6,264.89
Say	<u>6,250.00</u>

Indemnity for extraordinary wear and tear (Surfside Hotel)

Estimated cost of rehabilitation of building	\$14,500
Less fair wear and tear (the amount previously estimated as the annual cost of maintenance and repair)	<u>2,350</u>
Indemnity	<u>12,150</u>
Estimated cost of rehabilitating the furniture and equipment	18,475
Less fair wear and tear (value of furniture and equipment rented by Army previously estimated at \$41,530; rate of depreciation previously estimated, 10 percent)	<u>4,153</u>
Indemnity	<u>14,322</u>

EXHIBIT No. 1076

THE TRAYMORE HOTEL,
Miami Beach, Fla., July 16, 1943.

MR. GLYNN O. RASCO,
Executive Manager, Miami Beach Hotel Owners Association,
420 Lincoln Road, Miami Beach, Fla.

DEAR MR. RASCO: This is to advise you that the present Army rental for the Traymore Hotel does not represent the true value for the use of the premises.

Furthermore, said use is not in accordance with the agreement made by Lieutenant Tally and other civilian representatives of the Army, prior to the taking of the said premises.

Condemnation proceedings would have been the proper method at the time the Army first entered Miami Beach, as that would have set up an impartial committee to judge the true value.

We believe that such a committee should be set up at the present time to readjust our rental.

Very truly yours,

MIAMI BEACH TRAYMORE CORPORATION,
By ABRAHAM HALPERIN, President.

THE TRAYMORE HOTEL,
Miami Beach, Fla., March 23, 1944.

HON. RUDOLPH HALLEY,
The Truman Committee, Room 317, Senate Office Building,
Washington, D. C.

DEAR MR. HALLEY: I had the pleasure of meeting you on your first trip to Miami Beach at the offices of the Miami Beach Hotel Owners Association. It is for this reason that I take the liberty of writing you with reference to my recent communication to the Secretary of War, the Honorable Henry L. Stimson.

It was with great satisfaction that I read the splendid report issued by the Truman committee, which stated in a fair way the circumstances arising in connection with the acquiring of hotels in Miami Beach and other parts of the country by the Army. History will record the work of the Truman committee in all its branches with great acclaim, and will consider the individual members thereof as torch bearers of liberty.

The Traymore Hotel was completed December 14, 1939, and with the short season of 4 months each year in which it was open, has had about 1 year's continuous use prior to Army occupation. The enclosures consisting of my letters to the War Department addressed to Maj. John E. Holliman at Atlanta, Ga., on May 28, 1943, and to the Honorable Henry L. Stimson, on March 20, 1944, will give you information with reference to my contention that upon the termination of the training-center program, the Traymore Hotel should revert to us.

I am preparing an informal brief containing all the evidence, together with supporting affidavits, in connection with the invalidity of the so-called Army lease, which to be most charitable, can be characterized as a concoction of shyster brew. This morning's Miami Herald, however, published an article that the hotels above Twenty-fourth Street may become part of the redistribution center (article enclosed). I thought it best, therefore, to make my stand known to the Truman committee, so that it can see that the Government had ample warning, before it went to any additional expense in converting the hotel to the purposes of a redistribution center, that we desired the return of our property.

Our letter to the Secretary of War puts the War Department on notice that we consider the continued use of our property after the trainees leave, for any other purpose, no matter how deserving or meritorious, as a no less heinous offense than the quartering of troops by the British Government on our American colonists prior to the Revolutionary War.

I may add that during this critical period, when all our energies should be directed to the winning of the war, I did not go to Washington like some hotel owners pleading with the War Department to remedy a wrong and request the return of our property while it was being used to train troops. But I did go

to Washington after turning the hotel over to the Government, to offer my services to the War Department. I enlisted in the last war, and I felt that with my experience in engineering and construction, I could be useful in the Army, and requested a commission in the Engineer Corps. I had filled out the official application blank, but with each inquiry I received the reply that I had the qualifications, but there was no opening. I could not foresee that our Government, instead of being grateful to those of its citizens who place love of country above personal welfare, would so ill reward them as to further withhold their property by unconstitutional means. The least the Government could do now is to say to the several owners of the hotels on the Beach, "We are removing the Air Force training center. Would you care to have your hotel used for redistribution or rehabilitation, or would you rather have your property returned to you?" A picture of the resulting redistribution center would be less of a hodgepodge than the brilliant cross-word puzzle known as the Army Air Force Technical Training Command plus its attendant units.

Incidentally, the agents of the Government through its representatives, including Lieutenant Talley, were not innocent of the fact that the method by which they intended to acquire hotels for the Government instead of by condemnation would be subject to criticism. A meeting was held in Mr. Harry Sirkin's office in the Albion Building on or about February 7, 1942, called by Lieutenant Talley and his civilian committee. Among those present were Mr. Harry Sirkin and his two sons, Mr. Bryan Hanks, August Geiger, Lieutenant Talley, John M. Duff, Jr., Bruno Weil, Ben Turchin, Norman Pancoast, and myself. Each of us was asked to state his attitude toward the contemplated plan of bringing the Army Air Corps to Miami Beach as a means of saving the time required for the building of barracks. When my turn arrived to express an opinion, I stated that what I would do in this matter would be governed by the fact that if I were an officer sent by Washington to requisition property needed by the Government, I would take anything I damn pleased irrespective of the feelings of the private owners. But I would have the property condemned so that the owner would receive a fair value for his property.

When further discussion brought out the fact that the rental figures as proposed by Lieutenant Talley were inadequate in many cases to pay the maintenance charges regardless of a return on the investment to the owner, I stated again that condemnation should be the basis for establishing rentals. That where ordinarily there might not be enough money to make amortization payments on mortgages, after the payment of operating expenses, condemnation would stop such amortization temporarily, and might release the owner of such payments until the war was over. Lieutenant Talley answered that they had no authority to condemn, and it would take too long; that the only basis they could use to take the hotels, would be the figures stated; that is—\$6 to \$10 per man per month per room on the basis of room accommodation, but not considering more than three men to a room. The Government, he said, would make good any damage to hotel property and equipment.

The impression left with me from this meeting was, that failure to offer a hotel at the Government rental figure, would be considered an unpatriotic deed and a direct hindrance to the war effort.

I remain, sir,

Very respectfully yours,

ABRAHAM HALPERIN, *President,*
THE MIAMI BEACH TRAYMORE CORPORATION.

THE TRAYMORE HOTEL,
Miami, Fla., March 20, 1944.

HON. HENRY L. STIMSON,
Secretary of War, War Department,
Washington, D. C.

DEAR SIR: This letter is being sent on behalf of the Miami Beach Traymore Corporation, owner of the Traymore Hotel now occupied by the United States Army Air Force under lease No. W2287-eng-983.

Because of the stress of war, we have refrained from expressing the injustice done to us in the matter of the Government operation of the Traymore Hotel. However, when we read in the daily papers from time to time of plans proposed by strangers, consisting of individuals and pressure groups, as to what further use to make of our property upon the abandonment of the Army Air Force Technical Training Command, we think it is time for us to express ourselves and to tell the

authorized representatives of the United States Government as to what we would like to have done with our property.

Now that the training program is about completed, we respectfully request the return of our property. When our hotel was originally solicited for Government use, it was expressly stated by Lieutenant Talley, the Government representative, that the use of the property was for an emergency to train men for the Air Corps until such time as there was no further need for that purpose. Nothing was said about hospital use, redistribution, or rehabilitation.

It is true that the lease contains jokers and other clauses which could be interpreted to mean that the Government could use the hotel for other purposes than training men. As a matter of fact, under the lease, the Government could use the place as a practice target for naval gunnery or bombing. But this lease does not represent what was agreed to between the parties thereto, and was presented to us after the Army had been in occupation for some time. In signing the document known as the lease, the writer did not do so because he was satisfied with the legal significance of the clauses therein, but as a citizen of the United States who was trying to help his Government through its agents who were supposed to be his representatives, in order to achieve victory over the common enemy.

In refusing to sign a renewal of this lease which expired on June 30, 1943, we put the War Department on notice that the Government had failed to carry out its part of the agreement. A copy of the notice sent at that time in triplicate to Major Holliman at Atlanta is enclosed herewith. Since that time other uses have been made of the hotel besides the training of troops, such as use of lobby and public space for a clinic and inoculation center for all troops at the Beach and for a recreation pier, although the Government has other property available for such purposes. No compensation was made for this additional use.

The Traymore is a luxury-type hotel, depending upon its newness and uniqueness in equipment and construction in order for it to be a profitable venture. The difference of a few years may cause it to be obsolete because of newer inventions and materials that will be utilized in structures that will be built after the war. Changes in neighborhood and zoning may cause it to be less attractive. It has already lost its clientele to those hotels which were operating nearby, and were not taken over by the Government.

To justify the expense of the investment the building must amortize itself over a short period of from 7 to 10 years. The best part of this period, after several years of expensive advertising and building up of goodwill, is being dissipated because of Government use and at a financial loss to the corporation. A loss not in profit but in operation.

Although the Traymore was the first hotel to be taken north of Twenty-third Street at Miami Beach, other hotels taken subsequently have already been returned and have enjoyed a prosperous season. Such hotels are the three immediately to the north of us, the Atlantis, the Marine Terrace, and the Sea Isle. The Marine Terrace is a smaller hotel and the Atlantis and Sea Isle are larger hotels. Our rental was just as inadequate as theirs. Certainly the statement of the War Department that accompanied such return that the size of hotel and needs of individual owners was a prime consideration, did not hold in that case. In fact, the Atlantis Hotel had been sold to new individuals who had purchased while the Government was in possession and subject to the Government lease. No justification can be found in the return of the three above-mentioned hotels prior to ours.

We respectfully request, therefore, that the Traymore Hotel, upon the evacuation of its present trainees, be given an honorable discharge from the United States Army. We further respectfully request that the negotiators for the Government in the settlement of damages, be instructed to take into consideration the fact that the amount to be allowed us for damages should be sufficient to restore the premises and its furnishings to what it was before—a luxury-type hotel and not a ruined building containing broken second-hand furniture.

Very respectfully yours,

ABRAHAM HALPERIN, *President*,
THE MIAMI BEACH TRAYMORE CORPORATION.

THE TRAYMORE HOTEL,
Miami Beach, Fla., May 28, 1943.

UNITED STATES OF AMERICA,
War Department, Office Division Engineer,
South Atlantic Division, Atlanta, Ga.

GENTLEMEN: Referring to enclosed forms of renewal of lease No. W2287-eng-983, covering premises—Traymore Hotel, 2445 Collins Avenue, Miami Beach, Fla., we are returning them unsigned for the following reasons:

1. The Government does not require our consent to the renewal, in that the option clause in the lease gives it already that right.
2. The signing of the renewal might be considered as an affirmation of the lease.
3. Signing might be construed as a waiver on our part to have the place put back to its original state, barring ordinary wear and tear, prior to the expiration of the lease.
4. Ratification of the renewal might be considered as an approval on our part of the manner in which said premises were operated during the time the Government was in possession.

Proposition 1 above is self-evident and requires no explanation. However, it is pertinent at this time to protest at the demand of the Government to sign documents, from time to time, not called for in the lease, and then ascribe a purpose to them wholly unrelated to the subject matter at hand.

For example, on July 13, 1942, the Army submitted a report as to "Statement of condition" of hotel, and requested lessor to sign same. Contrary to provisions in lease, no opportunity was given our corporation to have a representative present at time of examination. Even if our representative was present, an examination made a month or several months after occupation by Army would have no bearing upon condition on April 18, 1942, at time Army went into possession; except to show deterioration, neglect, and failure to maintain the property on part of Government and its employees.

Although the several parts of the report clearly showed that they were made at some time after April 18, 1942, e. g., electrical equipment and wiring, May 25, 1942; to our astonishment Lt. Joel A. Clark, of the post engineers, sent back our signed copy with letter that it referred to condition at time Army entered premises. A comparison of this "Statement of condition" with the furniture inventory at time Army entered premises refutes this statement of Lieutenant Clark; e. g. the venetian blinds, which were all in good condition in furniture inventory, were shown in many cases to be bad in "Statement of condition" taken several months later. This would prove that the "Statement of condition" could refer to no other point in time except as to dates on which those several parts of the "Statement" were made, and for no time prior thereto.

Similarly an elevator report mailed on February 1, 1943, with the misleading caption "Statement of condition" report of the Traymore Hotel had no reference to anything but the elevators, yet the letter stated:

"DEAR SIR: Enclosed find copy of 'Statement of condition' on the Traymore Hotel, which is a complete inspection report of this building by the United States Government. Also enclosed are five certificates covering same."

The word elevator had to be inserted by us on each certificate so that the signed paper could not be construed to cover any report but the elevator. Besides, what bearing could a report on the elevators made by a Government inspector on January 27, 1943, have to their condition on April 18, 1942, when Army went into possession? Certainly the signing of all these reports without protest has a tendency to whittle away our rights under the agreement and lease by which the Government took possession of our property.

Referring to proposition 2, page 1, the lease as written is not the entire agreement between the parties thereto. Many of the promises made to the lessor, as an inducement to enter into the lease, which was done as an act of patriotism on the part of the members of the lessor corporation and not as a sound business proposition, have not been incorporated in the lease and have not been adhered to by the United States Government.

The Government has failed to keep its part of the agreement by putting five or more men in a room by placing double-decker beds in addition to beds already on premises. The addition of extra men above three in each room was an added strain on the building and equipment not contemplated in its design and construction. The plumbing alone received many times its use in 1 year over normal

capacity and operation. A brief can be furnished giving all the facts in connection with this statement.

Another consideration in the renting of the Traymore Hotel was the acceptance also of the Breakers Hotel, which is the property on the south and immediately adjoining the Traymore premises. The Breakers Hotel was purchased to protect the southern exposure of the Traymore. The Collins Avenue approach to the Traymore and Breakers consists of one entrance and one exit so as to incorporate both pieces of property into one. That although there are different corporations for both properties the stockholders are the same. It would have been ridiculous to rent one piece of property without the other; and the Government's accredited representative, at the time the options were signed, was notified to that effect. Especially, when we refused to sign the option on the Traymore until he also accepted the Breakers Hotel.

Subsequent facts in the case are that the Government had the Breakers Hotel 6 months on options—went into possession November 4, 1942—later rejected it on flimsy grounds, and surrendered it on November 17. No compensation at all was made. Incidentally, the Army would not let the lessor back into possession until it signed a release stating that the Army went into premises November 12, 1942, and quit November 11, 1942, reversing the clock a bit, but releasing the Government from paying compensation.

The rent, therefore, paid by the Government does not reflect the true value for the use of hotel in light of above agreements.

Referring to proposition 3 on page 1, the lessor has already notified the Government by previous letter, and hereby reiterates its desire to have the premises, equipment, and furnishings put back to its previous state, excepting ordinary wear and tear, in accordance with paragraph 8 and other clauses in lease and in accordance with prior and contemporaneous agreements made by the Government and its agents.

In discussing proposition 4, page 1, in connection with Government occupation of the Traymore Hotel, neglect and abuse would be mild terms to characterize its operation.

When the Army first entered the premises a captain was put in charge, and a fair semblance of order and cleanliness was observed. Later it was decided to dispense with a commanding officer on the premises, and for some time none was there. At no time was a maintenance man kept on premises to repair or maintain property, premises, and its equipment.

On May 10, 1943, the writer made a casual inspection with Sergeant Sparks, the C. Q., who was delegated to go with him by one of the officers. The floors and walls on entire premises were in a dirty and filthy condition. Garbage cans on each floor near elevator alcove were overflowing with garbage and ice-cream containers, and floor in immediate surroundings had garbage all over it. It may not be common knowledge, but the rock wall along the beach is infested with mice and rats, and it wouldn't take long under these conditions to have the building in the same condition. Glass tops provided by lessor to protect furniture were removed, and most dressers (all furniture is mahogany veneer) were marred with cigarette burns and scratches.

Since the Army has been in possession of premises no metal polish or proper detergent has been used on chromium-plated fixtures in bathrooms or elsewhere throughout the building. Chromium plate, when not properly cleaned, has a tendency to pit and scale. This may not take place immediately, but will occur after the passing of time. Later polishing will not cure the neglect incurred.

Any casual observer looking at the outside of the building can see windows without screens, the screens either missing or on balconies, where they have been thrown down. Panels under windows are streaked with dirt from fatigue suits hanging out to dry. Clotheslines are strung across open court on north side of building or on pipe railings on balconies, where clothes have been hung to dry. Men are seen looking over roof parapets at places where people are not supposed to walk because there are no wooden slats there for roof protection. The writer discovered that the men got there by breaking a lock on roof door at that point.

Failure to keep building screened at all openings results in the infestation of moths and bugs. This will result in an expensive extermination problem after the Army vacates. The washing of uniforms and other clothing causes damages not only to the enameled bathroom fixtures; but as no hot water is furnished the men, an insoluble greasy compound will accumulate in traps and pipes. This will result in latent defects which will not be apparent at time premises are returned but will cause great damage later on to the lessor.

Several months ago the lessor sent a letter to the post engineer at Miami Beach advising him that the outside of building, including walls, cantilevers, and balconies, were in urgent need of painting-up and waterproofing. That failure to do so immediately would cause irreparable damage to the property. After waiting a month without receiving a reply, the writer sometime in March visited the office of the post engineer and spoke to Mr. Taylor with reference to that matter. As yet the work has not been done, and the writer believes that the structure has been weakened by this neglect on the part of the Government. This neglect also applies to steel and wooden sash and all exposed metal hinges, mechanisms, and parts that require oiling and servicing from time to time.

It may well be that the dilapidated appearance of the building may result also in loss of goodwill and future patronage. Former guests at the Traymore Hotel have been staying during the past winter in hotels of its competitors, which were not taken over by the Army. They have seen the shabby appearance of the building caused by neglect in maintenance, and may well conclude that this will be no place for them to stop in the future.

It has not been the intention of the lessor to enumerate all damage to building, fixtures, furnishings, or other equipment; but to mention same only, for the purpose of stating a condition existing in general. Also, to express the hope that the Government will remedy such conditions and give assurances that there will be just compensation for all damages suffered by the lessor.

This statement is being submitted for the purpose of advising the Government of a condition of which it may not be aware; sort of "for the record." It might be, that had we failed to make this report at this time, the Government could well have said at a future date, "we had no knowledge of these conditions. Why didn't you tell us?"

Respectfully submitted.

MIAMI BEACH TRAYMORE CORPORATION,
ABRAHAM HALPERIN, *President*,
Brooklyn, N. Y.

[From the Miami Herald, Thursday, March 23, 1944]

NEW OFFICERS CANDIDATE SCHOOL CLASS ORDERED TO SAN ANTONIO CAMP

First immediate effect of the Army Air Forces' impending withdrawal of all training activities from Miami Beach, came with announcement Wednesday that the next class of officer candidates, scheduled to have begun their studies here April 3, have been ordered to report instead to the aviation training center at San Antonio, Tex.

Simultaneously, the Army Air Forces' training camp stated "this class is greatly reduced (in numbers) as compared to classes formerly entering instruction" at Miami Beach.

It was also announced that all classes now under instruction at the Beach will continue their training here until June 24 when the final contingent of officers-candidate school graduates will be commissioned at Miami Beach. This group entered training here on March 6.

Meanwhile, from Washington and other sources emerged a clearer picture of changes which are contemplated at the Beach under the Army Air Forces' withdrawal program.

HEADQUARTERS EXCLUDED

Observers saw in the War Department's failure to release several hotels in the vicinity of Twentieth and Collins Avenue, an implication that a smaller administrative headquarters unit is to continue to operate at that point for the remaining activities on the beach.

Significance also was attached to the fact that the present headquarters for the training center in the Shelborne Hotel is not included among properties to be released, but that everything south of this point to the servicemen's pier is on the list to be restored to owners, as are all hotels now occupied by the officers-candidate school.

In connection with the redistribution station No. 2, the War Department's statement indicated that, with the single exception of the Indian Creek Hotel, all hotels between Twenty-fourth Street and Forty-fourth Street are to be retained, suggesting the magnitude of the contemplated expansion of the station.

Until restorations of all properties to be returned to owners are completed late next fall, the post engineer's office is expected to continue to operate at full strength.

EXCHANGES TO CLOSE

All present facilities of the regional station hospital will be retained but the post exchange at Twentieth and Collins Avenue and all its branches will be closed. Only one hotel in which the servicemen's pier has branches, the New Yorker, is scheduled for release.

The regional station hospital is under command of Col. Dan C. Ogle; the redistribution station under Col. Luther L. Hill, and the Air Transport Command under jurisdiction of the Caribbean wing, with headquarters at Morrison Field, West Palm Beach.

It is indicated, too, that the Eight Hundred and Twenty-fifth Guard Squadron will be retained with Air Forces units remaining on the beach, but will be relocated later in other quarters.

EXHIBIT No. 1077

STATE OF FLORIDA,

County of Dade:

On this day personally appeared before me, a notary public, Harry A. Miller, who after first being duly sworn, deposes and says:

My name is Harry A. Miller, and I am secretary of the Astor Holding Co., owners of the Victor Hotel, which is located at 1144 Ocean Drive, Miami Beach, Fla. The Victor Hotel is an 8-story, fireproof building, consisting of 100 rooms and baths, balcony, lounge, lobby, and dining room.

About the latter part of March 1942, United States Army officers visited the Victor Hotel, and after their inspection, advised Mr. Adler, one of the lessees, that the United States Government was most desirous of leasing the Victor Hotel on account of the large dining room, kitchens, and other facilities, and therefore to prepare to vacate the building and send the guests elsewhere.

A few days later I was called to the Cromwell Hotel, which was the Army real estate headquarters, to negotiate the lease for the hotel to the United States Government. I waited for quite a while, but finally Mr. Baron Meyer saw me and told me that the Government needed our hotel immediately as a great number of troops were on the way here.

I told him we would be glad to cooperate. He said, "Then get your hotel ready." I asked what rental the Government would pay us, and after looking through some papers he had in his hands, he said "We have you down for \$30,000." I told him that figure was unreasonably low, and that I could not accept the offer. He then asked me what we expected, and I told him the lessees were paying \$36,400, and in addition my parents were occupying the pent house which is worth, at a low price, \$3,000 per year, and that three members of our family take their meals at the hotel (worth \$1,200 per year) making a total of \$40,600, and that we wanted the same rental. We also received 50 percent of the net profits, making in addition approximately \$15,000, or a total of \$55,600.

He then told us that \$30,000 was the amount set up for the Victor Hotel and that that was all the Government would pay; that we should be thankful to be able to realize a \$30,000 rental at this time during the war; that it was better than nothing. He said "Take my advice—take it."

He also said "If your hotel is isolated by the Government barricading the streets and no one is permitted on Ocean Drive, and if troops will be all over this area, where will you be? And if the Government wants your hotel, they will take it anyway—so take this offer and have it over with."

I replied that we made our livelihood from our hotels and that we could not afford to lose so much income, but that I would take it up with the lessee and my father, who is part owner, and also part lessee, and that I would let them know in a day or two.

I then called a meeting of our lessees, Mr. Louis Adler, Mr. Arthur Adler, and my father, Mr. Louis Miller. The Adlers said they were willing to surrender their lease and have it canceled providing we allowed \$6,000 to the lessees for the summer business, and refund the security of \$18,600 to the Adlers and \$18,600 to Louis Miller. We then decided to call Mr. Stanley Myers, attorney in the Seybold Building, Miami, and engaged him to see what he could do for us.

In a day or two Mr. Myers informed us that \$32,500 was the best he could get for us, and to accept that sum and give the Army immediate possession. Not having any alternative we evacuated the guests from the hotel, and gave the Army possession on April 12, 1942.

9282 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

We also leased the lot on the south side of the building for a patio and garden for a period of 5 years, paying the owner \$1,600 and the taxes of approximately \$400. The Army uses this ground but pays no rental for it, and we are liable for the lease.

We have suffered the following losses:

Income before Government took possession, April 12, 1942, to May 1, 1942, 18 days, at \$109.44-----	\$1,969.92
May 1, 1942, to May 1, 1943-----	39,400.00
Eight months, at \$3,283.33—May 1, 1943, to December 31, 1943-----	26,266.64
	<hr/> \$67,636.56
Government rental paid 18 days, at \$90.28, April 12, 1942, to May 1, 1942-----	1,625.04
May 1, 1942, to May 1, 1943-----	32,500.00
Eight months, at \$2,708.33, May 1, 1943, to December 31, 1943-----	21,666.64
	<hr/> 55,791.68
Less income from Government to December 31, 1943-----	11,844.88
April 12, 1942, to December 31, 1943, rent on adjoining lot approximately 623 days, at \$5.55 per day-----	3,457.65
	<hr/> 15,302.53

The penthouse in the hotel was furnished with expensive furniture. Mr. Louis Miller was willing to move the furniture before the Army moved in. Captain Gerard told him he would occupy the penthouse and that the furniture could be left as it would be taken care of. The penthouse is now used by troops and the furniture is in very bad condition.

We submit the above for your consideration.

HARRY A. MILLER,

Sworn and subscribed to before me on this the 4th day of January, A. D. 1944.

[SEAL]

GLYNN O. RASCO,

Notary Public, State of Florida at Large.

My commission expires July 16, 1946. Bonded by American Surety Co. of New York.

EXHIBIT No. 1078

HOTEL WEBSTER,

Miami Beach, Fla., July 15, 1943.

Re Webster Hotel.

Mr. GLYNN O. RASCO,

Executive Manager, Miami Beach Hotel Owners Association,
420 Lincoln Road, Miami Beach, Fla.

DEAR MR. RASCO: With reference to the Webster Hotel at Miami Beach, which I own, may I say that this is to confirm that I desire to have a readjustment of rental on my hotel. The amount being paid to me is inadequate.

I urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

DAVID NEILINGER.

EXHIBIT No. 1079

THE WHITE HOUSE,

Miami Beach, July 15, 1943.

Mr. GLYNN O. RASCO,

Executive Manager, Miami Beach Hotel Owners Association,
420 Lincoln Road, Miami Beach, Fla.

DEAR MR. RASCO: With reference to the White House, of which I am the owner, may I say that this is to confirm that I desire to have a readjustment of rental on this building. The amount being paid to me is not adequate.

I urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

LEO RADOFF.

EXHIBIT No. 1080

THE HOTEL WHITELAW,
Miami Beach, Fla., July 19, 1943.

Mr. GLYNN O. RASCO,
*Executive Manager, Miami Beach Hotel Owners' Association,
420 Lincoln Road, Miami Beach, Fla.*

DEAR MR. RASCO: With reference to the Whitelaw Hotel, of which I am the owner, may I say that this is to confirm that I desire to have a readjustment of rental on this hotel. The amount being paid to me is not adequate.

I urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

RITAB HOLDING COMPANY,
By R. SCHWARTZ.

EXHIBIT No. 1081

JULY 15, 1943.

Re Winterhaven Hotel.

Mr. GLYNN O. RASCO,
*Executive Manager, Miami Beach Hotel Owners Association,
420 Lincoln Road, Miami Beach, Fla.*

DEAR MR. RASCO: With reference to the Winterhaven Hotel, which I own, may I say that this is to confirm that I desire to have a readjustment of rental on my hotel. The amount being paid to me is inadequate.

I urge that an impartial committee be appointed to adjust my claim equitably.

Very truly yours,

HERMAN GLICKSBERG,
(For Harman Inv. Co.).

EXHIBIT No. 1082

STATE OF FLORIDA,
County of Dade:

On this day personally appeared before me, a notary public, Max Singer, who after first being duly sworn, deposes and says:

About November 19, 1941, I had leased a private house at 4223 Collins Avenue, Miami Beach, Fla., owned by Mr. Charles Rubin, for a sum of \$550 per year, with the understanding that I would make all of the repairs before I moved into the premises. I spent close to \$1,000, including a new roof, and lived there about 9 months.

About November 25, 1942, while I was still asleep, I heard some racket downstairs, which is a garage, and went there and found several soldiers doing some carpentry in my garage, without giving me any notice. I complained to the owner and he told me there was nothing he could do as far as the Army was concerned.

About 3 or 4 days later a captain then in charge of the Good Hotel knocked at the door about 8 a. m. and told me I had to get out, again without notice, and if I did not get out they would put the furniture on the street. I was advised to put a sign on the door "Private property—Keep off," which I kept there for 3 or 4 days.

I then got a call from Tom Smith asking if I would meet him at my house with Charles Clements. Of course I met them and they told me it would be a nice thing to give the Army the house. I told them I spent close to \$1,000 to fix up the house and if the Army needed it for bunds or anything like that, they could have it without any return.

Right after that Colonel Fitch, who was then on Lincoln Road in the Engineering Department, sent word to me to see him. I went to his office and he told me I must get out of there or they would take legal proceedings against me. Again I stated that for the purpose of the United States Army I would do almost anything to help them, but that I should like to get some kind of remuneration for my expenses. Again they threatened me with legal proceedings and Colonel Fitch again called me to his office, and I told him that I was a former serviceman,

that I had a son in the Army, and that I would do everything possible to hasten victory, but that this was a private house and I did not see any reason why they should take it away from me. They told me they would put soldiers in there, and nothing else. I moved out on December 18, again with the understanding that soldiers would live there and no one else. It cost me \$500 to get another apartment. No storage being available I had to sell a brand new Frigidaire and stove and my furniture for almost nothing, to make space for the Army as I was told to do.

Since then I have found out that instead of the Army being there they put a tailor shop in there. At the time they took the place I offered to give them the upstairs for the soldiers and for me to use the garage for a tailoring shop as I am in the dry cleaning business, but they said no civilians could be on there. Of course as I stated before, there was and is a tailor shop on my premises.

MAX SINGER.

Subscribed and sworn to before me on this 31st day of January 1944.

[SEAL]

GLYNN O. RASCO,

Notary Public, State of Florida at large.

My commission expires July 16, 1946.

EXHIBIT No. 1083

MIAMI, FLA., January 6, 1944.

Senator HARRY S. TRUMAN,

The Truman Committee, Miami Beach, Fla.

GENTLEMEN: I represent Hannel Realty Corporation, 1632 Pennsylvania Avenue, Miami Beach, Fla., which corporation is the owner of the lessor's interest in a store building at 425 Lincoln Road, Miami Beach, Fla.

The store building aforesaid now houses four stores rented to civilian occupants and one large store, premises, balcony and office space, known as Richard's Store Building, and which is presently occupied by the United States of America under a lease, dated January 11, 1943, and described as Lease No. W2287 eng 15014.

The writer will present this letter before the committee personally, and a copy of this letter is provided for members of the committee to indicate the purpose of the lessor in respect to its petition that the committee take cognizance of the circumstances affecting this leasehold to the end that a proper adjustment of rental may be made.

The lease itself is patently in error in that it states that there are approximately 8,000 square feet of floor space in this building whereas, in truth, there are approximately 9,600 square feet of floor space. Further, the lease covers all appurtenances and all improvements, where it was expressly agreed by the representatives of the lessor and the captain in charge of the leasing of the premises that the air conditioning system would not be used by the Army, whereas the air conditioning system, which costs in excess of \$10,000, has been continually and unceasingly in active use.

It is the belief of the lessor that the lease was negotiated on the basis of the ground-floor footage without regard to the extra footage used by the Army on the balcony and second floor; it is further the belief of the lessor that the lease was negotiated and the rental fixed upon an improper and unfair appraisal of value. It is the lessor's contention that the building itself, being that part occupied by the Government, has a value of \$25,000, that the land has a value of \$60,000, and that the air-conditioning system has a value of approximately \$10,000 making an aggregate total of approximately \$95,000. On this basis alone, the rental in the sum of \$5,300 is grossly insufficient.

The attention of the committee is further called to other business property under leases on Lincoln Road and on other areas whose value can be compared with the value of this property; from an equalization, it can readily be seen that the present lease is based on approximately \$0.60 per square foot whereas other leaseholds will be shown to be based on the basis of approximately \$1.25 per square foot or more than double the basis of rental in this case.

We have no actual knowledge of the footage or rentals paid for other business locations, but we can approximate these figures from gross statements and from our knowledge of approximate size.

There is, further, an extra ordinary use to which the building has been put in that the same is not occupied as an office, but as a post office, with the consequent wear and tear many times in excess to which other buildings are put; further,

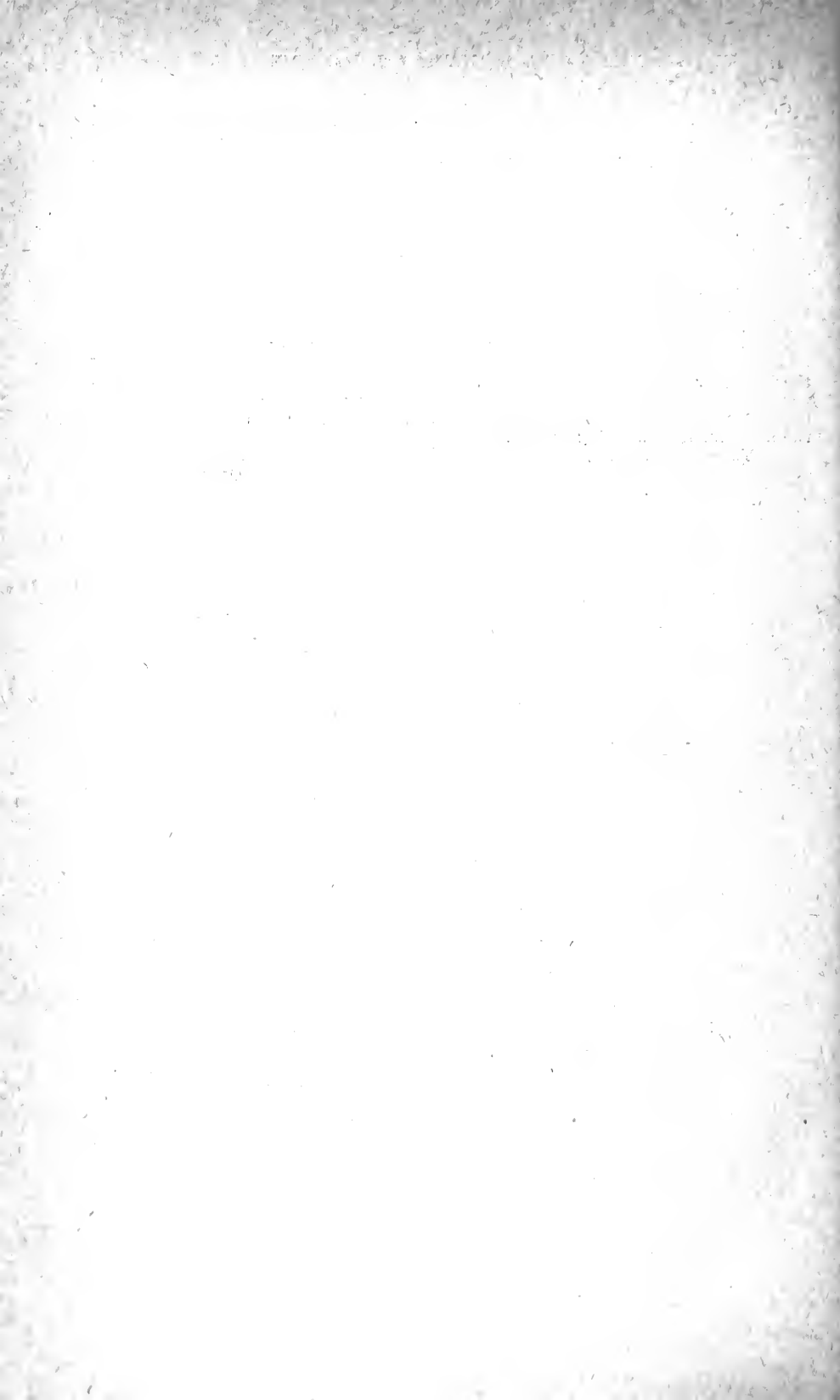
the rear wall has been knocked out by the Government so that trucks can back into the premises. Despite the fact that adjustment may ultimately be made for the physical damage and physical cost of rehabilitation, it is evident that this property is being subjected to a far greater and to far more benefit than are other properties which are being paid for on a basis of more than twice the rate paid for this property.

Lastly, it is beyond question that the rate of rental is grossly inadequate in that this property covers a frontage of 40 feet on Lincoln Road in the most expensive and most desirable block in Miami Beach, for which the owner is paid \$5,300, whereas the other stores in the same building, being only 14 feet in frontage and extending only 90 feet in depth, and without balcony, second floor, or office space, are paid for at the rate of \$3,000 per year and have never been rented for less.

The attention of the committee is respectfully called to these circumstances, and it is contended that in this instance exists a prime and specific example of the improper equalization of rental values and the inequitable disregard of the rights of owners to a return for the use of their properties commensurate with the value, the income potentialities, and location and condition of premises, and the investment of working capital.

Yours respectfully,

DANIEL SEPLER.



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